

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : Chapter 11
:
SEARS HOLDINGS CORPORATION, *et al.*,¹ :
:
Debtors. : Case No. 18-23538-rdd
:
: (Jointly Administered)
:
:
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**DECLARATION OF ABENA A. MAINOO IN SUPPORT OF
TRANSFORM HOLDCO LLC'S REPLY MEMORANDUM OF LAW
IN FURTHER SUPPORT OF THE ADVERSARY COMPLAINT**

I, Abena A. Mainoo, declare under penalty of perjury as follows:

1. I am an attorney duly admitted to practice before this Court, and I am a partner of the law firm Cleary Gottlieb Steen & Hamilton LLP ("Cleary Gottlieb"), counsel for Transform Holdco LLC ("Transform"). I respectfully submit this declaration (the "Mainoo Declaration") in

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); SR – Rover de Puerto Rico, LLC (f/k/a Sears, Roebuck de Puerto Rico, Inc.) (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

connection with Transform's *Reply Memorandum of Law in Further Support of Transform Holdco LLC's Adversary Complaint*.

2. Attached hereto as Exhibit A is a true and correct copy of a presentation titled "Project Blue Weekly Flash Report (DIP Budget Week 7)," dated December 5, 2018.

3. Attached hereto as Exhibit B is a true and correct copy of a presentation titled "Project Blue Weekly Flash Report (DIP Budget Week 8)," dated December 12, 2018.

4. Attached hereto as Exhibit C is a true and correct copy of a presentation titled "Project Blue Weekly Flash Report (DIP Budget Week 9)," dated December 19, 2018.

5. Attached hereto as Exhibit D is a true and correct copy of a presentation titled "Project Blue Weekly Flash Report (DIP Budget Week 10)," dated December 26, 2018.

6. Attached hereto as Exhibit E is a true and correct copy of a presentation titled "Project Blue Weekly Flash Report (DIP Budget Week 11)," dated January 2, 2019.

7. Attached hereto as Exhibit F is a true and correct copy of a presentation titled "Project Blue Rolling Cash Flow Budget (Week 11)," dated January 2, 2019.

8. Attached hereto as Exhibit G is a true and correct copy of email correspondence with the subject line "Sears: Restructuring Committee Meeting Materials" from Natasha Hwangpo to Ann Reese et al., dated January 4, 2019, attaching a presentation titled "Discussion Materials: Project Blue," dated January 3, 2019.

9. Attached hereto as Exhibit H is a true and correct copy of a presentation titled "Project Blue Weekly Flash Report (DIP Budget Week 12)," dated January 9, 2019.

10. Attached hereto as Exhibit I is a true and correct copy of a presentation titled "Project Blue Weekly Flash Report (DIP Budget Week 13)," dated January 16, 2019.

11. Attached hereto as Exhibit J is a true and correct copy of email correspondence with the subject line “RE: Project Blue: Restructuring Committee Call” from Paloma Van Groll to Ann Reese et al., dated January 16, 2019, attaching a presentation titled “Discussion Materials: Project Blue,” dated January 16, 2019.

12. Attached hereto as Exhibit K is a true and correct copy of email correspondence with the subject line “Armored Car Pickups” between Rajat Prakash, Aziz Khan, Jodie Quinn, Jennifer Joye, and David Acquaviva, dated January 16, 2019.

13. Attached hereto as Exhibit L is a true and correct copy of the Minutes of a Meeting of the Restructuring Committee of the Board of Directors of Sears Holdings Corporation, dated January 16, 2019 (6:30 p.m.).

14. Attached hereto as Exhibit M is a true and correct copy of the Minutes of a Meeting of the Restructuring Committee of the Board of Directors of Sears Holdings Corporation, dated January 16, 2019 (9:45 p.m.).

15. Attached hereto as Exhibit N is a true and correct copy of the Minutes of a Meeting of the Restructuring Committee of the Board of Directors of Sears Holdings Corporation, dated January 16, 2019 (11:30 p.m.).

16. Attached hereto as Exhibit O is a true and correct copy of a presentation titled “Project Blue Weekly Flash Report (DIP Budget Week 14),” dated January 23, 2019.

17. Attached hereto as Exhibit P is a true and correct copy of a presentation titled “Project Blue Weekly Flash Report (DIP Budget Week 15),” dated January 30, 2019.

18. Attached hereto as Exhibit Q is a true and correct copy of a presentation titled “Project Blue Weekly Flash Report (DIP Budget Week 16),” dated February 6, 2019.

19. Attached hereto as Exhibit R is a true and correct copy of email correspondence with the subject line “RE: Cash Receipts Tomorrow” from Brian Griffith to Rajat Prakash et al., dated February 7, 2019.

20. Attached hereto as Exhibit S is a true and correct copy of a letter from Sean A. O’Neal of Cleary Gottlieb to Weil, Gotshal & Manges LLP, dated February 11, 2019.

21. Attached hereto as Exhibit T is a true and correct copy of excerpts from the transcript of the deposition of Kunal Kamlani taken on August 15, 2019.

22. Attached hereto as Exhibit U is a true and correct copy of excerpts from the transcript of the deposition of Rajat Prakash taken on August 20, 2019.

23. Attached hereto as Exhibit V is a true and correct copy of the transcript of the deposition of Christopher Good taken on August 28, 2019.

24. Attached hereto as Exhibit W is a true and correct copy of excerpts from the transcript of the deposition of Mohsin Meghji taken on August 29, 2019.

25. Attached hereto as Exhibit X is a true and correct copy of a document titled “Sears Holdings Corp. Professional Fee Carve Out Reporting,” dated the week of January 31, 2019.

Executed on September 6, 2019 in New York, New York.

Respectfully submitted,

/s/ Abena A. Mainoo
Abena A. Mainoo

Exhibit A

DRAFT – FOR DISCUSSION PURPOSES ONLY
PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408

Project Blue

Weekly Flash Report

(DIP Budget Week 7)

December 5, 2018



sears

kmart

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Week 7 – Actuals For Rolling 2 Weeks

(Units in millions)

Cash Variance to Budget	Week 42 - Budget Week 6 11/18/18 - 11/24/18			Week 43 - Budget Week 7 11/25/18 - 12/1/18			Weeks 42 - 43 11/18/18 - 12/1/18		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$180	\$187	\$7	\$286	\$338	\$52	\$466	\$525	\$59
Merch Vendors	(119)	(80)	39	(91)	(75)	16	(210)	(155)	55
Rent/Occupancy	(1)	0	1	(1)	0	1	(2)	0	2
Payroll/Bens/Taxes	(30)	(32)	(2)	(68)	(61)	7	(98)	(93)	5
Other SG&A Disbursements	(65)	(50)	15	(83)	(68)	15	(149)	(118)	30
Total Operating Disbursements	(215)	(161)	54	(243)	(204)	39	(459)	(366)	93
CapEx	(1)	0	1	(1)	(0)	1	(2)	(0)	2
Total Operating Cash Flow	(\$37)	\$26	\$62	\$41	\$133	\$91	\$5	\$158	\$154
NON-OPERATING CASH FLOW									
Day 1 Utility Motion	(\$10)	\$0	\$10	\$0	(\$10)	(\$10)	(\$10)	(\$10)	\$0
Day 1 Critical Vendor Motion	(10)	(11)	(1)	(15)	(7)	8	(25)	(19)	6
Insurance	0	0	0	(4)	0	4	(4)	0	4
Gift Card Redemptions	(1)		1	(1)		1	(2)		2
KEIP / KERP	0	0	0	0	0	0	0	0	0
Credit Card Holdbacks	0		0	0		0	0		0
PTO	0	0	0	(1)	0	1	(1)	0	1
Post-Petition TSA/CSA	(1)		1	0		0	(1)		1
Bankruptcy Related Disbursements	(\$22)	(\$11)	\$11	(\$21)	(\$17)	\$4	(\$44)	(\$29)	\$15
Cash Interest	(\$4)	\$0	\$4	(\$4)	(\$10)	(\$6)	(\$8)	(\$10)	(\$3)
Financing Fees	0	0	0	(4)	(15)	(10)	(4)	(15)	(10)
Professional Fees	0	0	0	0	(1)	(1)	0	(1)	(1)
Intercompany Inflows	0	0	0	0	3	3	0	3	3
Total Other Non-Operating Disbursements	(\$4)	\$0	\$4	(\$8)	(\$23)	(\$15)	(\$12)	(\$23)	(\$12)
Net Cash Flows before Financing	(\$63)	\$15	\$77	\$12	\$92	\$80	(\$51)	\$106	\$157
Financing	\$0	\$0	\$0	(\$173)	(\$272)	(\$99)	(173)	(272)	(\$99)
Net Cash Flow	(\$63)	\$15	\$77	(\$161)	(\$180)	(\$19)	(\$224)	(\$166)	\$58
Beginning Cash	\$224	\$224	\$0	\$161	\$239	\$78	\$224	\$224	\$0
Cash Flow Before Financing	(63)	15	77	12	92	80	(51)	106	157
Financing	0	0	0	(173)	(272)	(99)	(173)	(272)	(99)
Change In Carveout Account	0	0	0	0	(58)	(58)	0	(58)	(58)
Ending Available Cash Balance	\$161	\$239	\$77	\$0	\$0	\$0	\$0	\$0	\$0

Week 7 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 7 same store sales (go-forward stores) were negative (10.3%) for FLS and negative (10.4%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (10.3%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Net proceeds from the SRAC MTNs of \$81mm are not included in the receipts because the cash was segregated in the wind-down reserve account
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 7
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made \$7.5mm in aggregate critical vendor payments for the week
- Other SG&A Disbursements of \$68mm was below the weekly budgeted amount of \$83mm
 - The revised budget submitted on 11/21/18 includes lower Other SG&A Disbursements than the Initial Approved Budget because of the lower rate of spending that has actualized
 - The \$68mm of the Other SG&A Disbursements includes \$7.2mm of payments for Home Services and builder distributors customer orders, \$9.8mm in transportation and logistics vendor payments, \$3.4mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company paid \$10.2mm in interest during the week, and paid \$8.4mm of Jr. DIP fees and \$6.3mm of Sr. DIP fees
- With the final approval of the Sr. DIP and interim approval of the Jr. DIP, the Company paid down \$446mm on the rolled-up ABL revolver, drew \$100mm on the Sr. DIP term loan, and drew \$75mm on the multiple-draw Jr. DIP term loan

Net Cash Flow

- Net cash flow before financing for the rolling two week period of weeks 6-7 of the proceeding equaled \$106mm, which is well above the budgeted (\$51mm)

Week 6 Budget Variance Report - Commentary

- Going forward, the rolling budget variance report will not include weeks prior to week 42 per conversation with BRG on 11/26/18

Receipts

- Week 6 same store sales (go-forward stores) were negative (24.4%) for FLS and negative (7.8%) for Kmart versus prior year for a total combined adjusted same store sales comp of (19.5%)
- The Company had higher than anticipated receipts because of outperformance at GOB stores
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$80mm on post-petition merchandise disbursements in week 6
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 2-3 weeks with higher spending
- The Company made \$11.0mm in critical vendor payments including the third and final pre-petition payment to Whirlpool
- Other SG&A Disbursements of \$50mm was below the weekly budgeted amount of \$65mm
 - The revised budget submitted on 11/21/18 includes lower Other SG&A Disbursements than the Initial Approved Budget because of the lower rate of spending that has actualized
 - The \$50mm of the Other SG&A Disbursements includes \$5.0mm of payments for Home Services and builder distributors customer and franchisee orders, \$14.2mm in transportation and logistics vendor payments, \$2.2mm in advertising payments, and \$1.3mm to fund Sears Home Improvement
- The Company paid no interest or financing fees during the week
- The Company had not made any repayments on the ABL revolver through the end of week 6, since it is required to wait until the final order date to roll up the facility

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 3-6 of the proceeding equaled \$38mm, well above the budgeted (\$178mm)
- Net cash flow before financing for week 6 of \$15mm was \$77mm greater than the budgeted (\$63mm)

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 6-7	
Vendor	Disbursements
LG HA	\$20.4
EMA	18.6
Home Services	9.9
Cardinal Health	8.7
Whirlpool	8.0
Samsung	6.2
Icon	4.5
MTD	4.4
Dart	3.5
Serta Simmons	2.3
P&G	2.2
Winiadaewoo	1.9
Timberland	1.0
Church&Dwight	1.0
Hasbro	0.9
McLane Company	0.9
Heartland	0.9
Michelin	0.8
Nestle Purina	0.7
MSRF INC	0.7
Top 20 Post-petition Vendors	\$97.5
(+) Other	57.3
Total Post-petition Merchandise Disbursements	\$154.8

- The Company made ~\$155mm in payments for post-petition merchandise during budget weeks 6-7
 - The majority of merchandise vendor spend continues on CIA terms
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$73mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail			Notes
	Week 6	Week 7	Total	
BofA Checks	\$ (3.3)	\$ (9.7)	\$ (13.0)	Issued checks, primarily tax payments
Internal / Other Margin	(4.2)	(3.0)	(7.2)	Home Services logistics and certain contractor payments
Utilities & Telephone	(2.4)	(1.2)	(3.6)	
Outside/Associate/Consulting	(1.6)	(1.2)	(2.8)	Temporary labor
Advertising Expense	(2.2)	(3.4)	(5.6)	
Non-Merch COGS	(2.3)	(1.7)	(4.0)	Licensed businesses including Sears Optical
Equipment Expenses	(0.6)	(3.5)	(4.1)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(5.0)	(7.2)	(12.2)	Franchise and builder distributor appliance network funding
Logistics	(4.4)	(3.6)	(8.0)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(2.1)	(22.1)	(24.2)	Week 7 includes monthly customs payment
SHP Checks	(1.3)	(2.2)	(3.5)	Funding for Sear Home Improvement
Occupancy Repairs	(0.1)	(0.3)	(0.4)	Building maintenance expense
CheckFreePay	(0.7)	(0.6)	(1.3)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.3)	(1.4)	(2.7)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	-	-	-	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.4)	(0.2)	(0.6)	Shipping expenses
Insurance Exp	(0.0)	(0.1)	(0.1)	
BS Adjustment - AP	(0.1)	(0.5)	(0.6)	Cash received or paid for reconciliation of vendor inventory receipts
CARPACH	(9.8)	(6.2)	(16.0)	Payments to intermodal logistics vendors
P-Card	(5.0)	-	(5.0)	Employee procurement credit card payments
India/Israel/GS	(3.4)	-	(3.4)	Funding for foreign offices
Other SG&A Disbursements	\$ (50.1)	\$ (68.1)	\$ (118.1)	

Exhibit B

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PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408

Project Blue

Weekly Flash Report

(DIP Budget Week 8)

December 12, 2018



sears

kmart

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Week 8 – Actuals For Rolling 3 Weeks

(Units in millions)

Cash Variance to Budget	Week 42 - Budget Week 6 11/18/18 - 11/24/18			Week 43 - Budget Week 7 11/25/18 - 12/1/18			Week 44 - Budget Week 8 12/2/18 - 12/8/18			Weeks 42 - 44 11/18/18 - 12/8/18		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$180	\$187	\$7	\$286	\$338	\$52	\$184	\$220	\$36	\$650	\$745	\$95
Merch Vendors	(119)	(80)	39	(91)	(75)	16	(85)	(75)	11	(295)	(230)	65
Rent/Occupancy	(1)	0	1	(1)	0	1	(27)	(1)	25	(29)	(1)	28
Payroll/Bens/Taxes	(30)	(32)	(2)	(68)	(61)	7	(38)	(38)	0	(136)	(131)	5
Other SG&A Disbursements	(65)	(50)	15	(83)	(68)	15	(87)	(53)	33	(235)	(172)	64
Total Operating Disbursements	(215)	(161)	54	(243)	(204)	39	(237)	(167)	69	(695)	(533)	162
CapEx	(1)	0	1	(1)	(0)	1	(1)	(0)	1	(3)	(1)	2
Total Operating Cash Flow	(\$37)	\$26	\$62	\$41	\$133	\$91	(\$54)	\$53	\$106	(\$49)	\$211	\$260
NON-OPERATING CASH FLOW												
Day 1 Utility Motion	(\$10)	\$0	\$10	\$0	(\$10)	(\$10)	\$0	\$0	\$0	(\$10)	(\$10)	\$0
Day 1 Critical Vendor Motion	(10)	(11)	(1)	(15)	(7)	8	(15)	0	15	(40)	(19)	21
Insurance	0	0	0	(4)	0	4	0	0	0	(4)	0	4
Gift Card Redemptions	(1)		1	(1)		1	(1)		1	(3)		3
KEIP / KERP	0	0	0	0	0	0	0	0	0	0	0	0
Credit Card Holdbacks	0		0	0		0	0		0	0		0
PTO	0	0	0	(1)	0	1	(1)	0	1	(2)	0	2
Post-Petition TSA/CSA	(1)		1	0		0	0		0	(1)		1
Bankruptcy Related Disbursements	(\$22)	(\$11)	\$11	(\$21)	(\$17)	\$4	(\$17)	\$0	\$17	(\$61)	(\$29)	\$32
Cash Interest	(\$4)	\$0	\$4	(\$4)	(\$10)	(\$6)	(\$4)	(\$6)	(\$2)	(\$11)	(\$16)	(\$5)
Financing Fees	0	0	0	(4)	(15)	(10)	(4)	(0)	4	(8)	(15)	(7)
Professional Fees	0	0	0	0	(1)	(1)	(14)	0	14	(14)	(1)	12
Intercompany Inflows	0	0	0	0	3	3	0	0	0	0	3	3
Total Other Non-Operating Disbursements	(\$4)	\$0	\$4	(\$8)	(\$23)	(\$15)	(\$21)	(\$6)	\$15	(\$33)	(\$29)	\$3
Net Cash Flows before Financing	(\$63)	\$15	\$77	\$12	\$92	\$80	(\$92)	\$46	\$138	(\$142)	\$153	\$295
Financing	\$0	\$0	\$0	(\$173)	(\$272)	(\$99)	\$92	(\$41)	(\$133)	(81)	(313)	(\$232)
Net Cash Flow	(\$63)	\$15	\$77	(\$161)	(\$180)	(\$19)	\$0	\$6	\$6	(\$224)	(\$160)	\$64
Beginning Cash	\$224	\$224	\$0	\$161	\$239	\$78	\$0	\$0	(\$0)	\$224	\$224	\$0
Cash Flow Before Financing	(63)	15	77	12	92	80	(92)	46	138	(142)	153	295
Financing	0	0	0	(173)	(272)	(99)	92	(41)	(133)	(81)	(313)	(232)
Change in Carveout Account	0	0	0	0	(58)	(58)	0	0	0	0	(58)	(58)
Ending Available Cash Balance	\$161	\$239	\$77	\$0	\$0	\$0	\$0	\$6	\$6	\$0	\$6	\$6

Week 8 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 8 same store sales (go-forward stores) were negative (13.4%) for FLS and negative (12.9%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.1%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 8
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made no critical vendor payments for the week
- A small amount of rent checks were cashed during week 8 and the budgeted Rent/Occupancy expense is expected to clear in the next week
- Other SG&A Disbursements of \$53mm was below the weekly budgeted amount of \$87mm
 - The \$53mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$13.7mm in transportation and logistics vendor payments, \$2.0mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company paid \$6mm in interest during the week

Net Cash Flow

- Net cash flow before financing for the rolling three week period of weeks 6-8 of the proceeding equaled \$153mm, which is well above the budgeted (\$142mm)
- The company ended the week with a \$6mm cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The \$6mm was swept to Bank of America the next business day.

Week 7 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 7 same store sales (go-forward stores) were negative (10.3%) for FLS and negative (10.4%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (10.3%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Net proceeds from the SRAC MTNs of \$81mm are not included in the receipts because the cash was segregated in the wind-down reserve account
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 7
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made \$7.5mm in aggregate critical vendor payments for the week
- Other SG&A Disbursements of \$68mm was below the weekly budgeted amount of \$83mm
 - The revised budget submitted on 11/21/18 includes lower Other SG&A Disbursements than the Initial Approved Budget because of the lower rate of spending that has actualized
 - The \$68mm of the Other SG&A Disbursements includes \$7.2mm of payments for Home Services and builder distributors customer orders, \$9.8mm in transportation and logistics vendor payments, \$3.4mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company paid \$10.2mm in interest during the week, and paid \$8.4mm of Jr. DIP fees and \$6.3mm of Sr. DIP fees
- With the final approval of the Sr. DIP and interim approval of the Jr. DIP, the Company paid down \$446mm on the rolled-up ABL revolver, drew \$100mm on the Sr. DIP term loan, and drew \$75mm on the multiple-draw Jr. DIP term loan

Net Cash Flow

- Net cash flow before financing for the rolling two week period of weeks 6-7 of the proceeding equaled \$106mm, which is well above the budgeted (\$51mm)

Week 6 Budget Variance Report - Commentary

- Going forward, the rolling budget variance report will not include weeks prior to week 42 per conversation with BRG on 11/26/18

Receipts

- Week 6 same store sales (go-forward stores) were negative (24.4%) for FLS and negative (7.8%) for Kmart versus prior year for a total combined adjusted same store sales comp of (19.5%)
- The Company had higher than anticipated receipts because of outperformance at GOB stores
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$80mm on post-petition merchandise disbursements in week 6
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 2-3 weeks with higher spending
- The Company made \$11.0mm in critical vendor payments including the third and final pre-petition payment to Whirlpool
- Other SG&A Disbursements of \$50mm was below the weekly budgeted amount of \$65mm
 - The revised budget submitted on 11/21/18 includes lower Other SG&A Disbursements than the Initial Approved Budget because of the lower rate of spending that has actualized
 - The \$50mm of the Other SG&A Disbursements includes \$5.0mm of payments for Home Services and builder distributors customer and franchisee orders, \$14.2mm in transportation and logistics vendor payments, \$2.2mm in advertising payments, and \$1.3mm to fund Sears Home Improvement
- The Company paid no interest or financing fees during the week
- The Company had not made any repayments on the ABL revolver through the end of week 6, since it is required to wait until the final order date to roll up the facility

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 3-6 of the proceeding equaled \$38mm, well above the budgeted (\$178mm)
- Net cash flow before financing for week 6 of \$15mm was \$77mm greater than the budgeted (\$63mm)

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 6-8	
Vendor	Disbursements
EMA	\$28.7
LG HA	27.3
Home Services	15.3
Whirlpool	14.9
Cardinal Health	12.6
Samsung	8.1
Icon	6.8
Winiadaewoo	6.2
MTD	5.9
Dart	3.5
P&G	3.4
Serta Simmons	3.1
Hanesbrands	1.9
Timberland	1.9
Jordache Limited	1.8
Waterloo Industries	1.5
Chamberlain Manufacturing	1.5
Moret SK LLC	1.2
Michelin	1.1
Nestle Purina	1.1
Top 20 Post-petition Vendors	\$147.8
(+) Other	81.9
Total Post-petition Merchandise Disbursements	\$229.7

- The Company made ~\$230mm in payments for post-petition merchandise during budget weeks 6-8
 - The majority of merchandise vendor spend continues on CIA terms
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$81mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail				Notes
	Week 6	Week 7	Week 8	Total	
BofA Checks	\$ (3.3)	\$ (9.7)	\$ (7.5)	\$ (20.6)	Issued checks, primarily tax payments
Internal / Other Margin	(4.2)	(3.0)	(2.2)	(9.4)	Home Services logistics and certain contractor payments
Utilities & Telephone	(2.4)	(1.2)	(2.5)	(6.2)	
Outside/Associate/Consulting	(1.6)	(1.2)	(5.5)	(8.3)	Temporary labor
Advertising Expense	(2.2)	(3.4)	(2.0)	(7.6)	
Non-Merch COGS	(2.3)	(1.7)	(2.0)	(5.9)	Licensed businesses including Sears Optical
Equipment Expenses	(0.6)	(3.5)	(1.2)	(5.2)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(5.0)	(7.2)	(3.5)	(15.7)	Franchise and builder distributor appliance network funding
Logistics	(4.4)	(3.6)	(6.2)	(14.2)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(2.1)	(22.1)	(1.9)	(26.1)	Week 8 primarily consists of cleaning service expenses
SHP Checks	(1.3)	(2.2)	(2.4)	(5.8)	Funding for Sear Home Improvement
Occupancy Repairs	(0.1)	(0.3)	(0.4)	(0.8)	Building maintenance expense
CheckFreePay	(0.7)	(0.6)	(1.8)	(3.1)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.3)	(1.4)	(1.4)	(4.1)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	-	-	(0.1)	(0.1)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.4)	(0.2)	(0.4)	(0.9)	Shipping expenses
Insurance Exp	(0.0)	(0.1)	(0.0)	(0.1)	
BS Adjustment - AP	(0.1)	(0.5)	(0.5)	(1.1)	Cash received or paid for reconciliation of vendor inventory receipts
CARPACH	(9.8)	(6.2)	(7.5)	(23.5)	Payments to intermodal logistics vendors
P-Card	(5.0)	-	(4.2)	(9.2)	Employee procurement credit card payments
India/Israel/GS	(3.4)	-	-	(3.4)	Funding for foreign offices
Other SG&A Disbursements	\$ (50.1)	\$ (68.1)	\$ (53.3)	\$ (171.5)	

Exhibit C

DRAFT – FOR DISCUSSION PURPOSES ONLY
PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408

Project Blue

Weekly Flash Report

(DIP Budget Week 9)

December 19, 2018



Week 9 – Actuals For Rolling 4 Weeks

Cash Variance to Budget	Week 42 - Budget Week 6 11/18/18 - 11/24/18			Week 43 - Budget Week 7 11/25/18 - 12/1/18			Week 44 - Budget Week 8 12/2/18 - 12/8/18			Week 45 - Budget Week 9 12/9/18 - 12/15/18			Weeks 42 - 45 11/18/18 - 12/8/18		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$180	\$187	\$7	\$286	\$338	\$52	\$184	\$220	\$36	\$200	\$251	\$51	\$849	\$996	\$146
Merch Vendors	(119)	(80)	39	(91)	(75)	16	(85)	(75)	11	(95)	(96)	(2)	(390)	(326)	64
Rent/Occupancy	(1)	0	1	(1)	0	1	(27)	(1)	25	(10)	(33)	(24)	(39)	(35)	4
Payroll/Bens/Taxes	(30)	(32)	(2)	(68)	(61)	7	(38)	(38)	0	(60)	(56)	5	(196)	(186)	10
Other SG&A Disbursements	(65)	(50)	15	(83)	(68)	15	(87)	(53)	33	(64)	(50)	13	(299)	(222)	77
Total Operating Disbursements	(215)	(161)	54	(243)	(204)	39	(237)	(167)	69	(228)	(236)	(7)	(924)	(769)	155
CapEx	(1)	0	1	(1)	(0)	1	(1)	(0)	1	(1)	(2)	(1)	(4)	(3)	1
Total Operating Cash Flow	(\$37)	\$26	\$62	\$41	\$133	\$91	(\$54)	\$53	\$106	(\$30)	\$13	\$43	(\$79)	\$224	\$303
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	(\$10)	\$0	\$10	\$0	(\$10)	(\$10)	\$0	\$0	\$0	\$0	\$0	\$0	(\$10)	(\$10)	\$0
Day 1 Critical Vendor Motion	(10)	(11)	(1)	(15)	(7)	8	(15)	0	15	(10)	0	10	(50)	(19)	31
Insurance	0	0	0	(4)	0	4	0	0	0	0	0	0	(4)	0	4
Gift Card Redemptions	(1)		1	(1)		1	(1)		1	(1)		1	(4)		4
KEIP / KERP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Card Holdbacks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PTO	0	0	0	(1)	0	1	(1)	0	1	(1)	0	1	(3)	0	3
Post-Petition TSA/CSA	(1)		1	0		0	0		0	(1)		1	(2)		2
Bankruptcy Related Disbursements	(\$22)	(\$11)	\$11	(\$21)	(\$17)	\$4	(\$17)	\$0	\$17	(\$13)	\$0	\$13	(\$73)	(\$29)	\$45
Cash Interest	(\$4)	\$0	\$4	(\$4)	(\$10)	(\$6)	(\$4)	(\$6)	(\$2)	(\$3)	\$0	\$3	(\$11)	(\$16)	(\$5)
Financing Fees	0	0	0	(4)	(15)	(10)	(4)	(0)	4	(4)	(0)	3	(8)	(15)	(7)
Professional Fees	0	0	0	0	(1)	(1)	(14)	0	14	0	(1)	(1)	(14)	(1)	12
Intercompany Inflows	0	0	0	0	3	3	0	0	0	0	0	0	0	3	3
Total Other Non-Operating Disbursements	(\$4)	\$0	\$4	(\$8)	(\$23)	(\$15)	(\$21)	(\$6)	\$15	(\$7)	(\$1)	\$6	(\$33)	(\$29)	\$3
Net Cash Flows before Financing	(\$63)	\$15	\$77	\$12	\$92	\$80	(\$92)	\$46	\$138	(\$50)	\$12	\$62	(\$192)	\$165	\$357
Financing	\$0	\$0	\$0	(\$173)	(\$272)	(\$99)	\$92	(\$41)	(\$133)	\$50	(\$1)	(\$51)	(32)	(314)	(\$282)
Net Cash Flow	(\$63)	\$15	\$77	(\$161)	(\$180)	(\$19)	\$0	\$6	\$6	\$0	\$11	\$11	(\$224)	(\$149)	\$75
Beginning Cash	\$224	\$224	\$0	\$161	\$239	\$78	\$0	\$0	(\$0)	\$0	\$6	\$5	\$224	\$224	\$0
Cash Flow Before Financing	(63)	15	77	12	92	80	(92)	46	138	(50)	12	62	(192)	165	357
Financing	0	0	0	(173)	(272)	(99)	92	(41)	(133)	50	(1)	(51)	(173)	(314)	(140)
Change in Carveout Account	0	0	0	0	(58)	(58)	0	0	0	0	(16)	(16)	0	(74)	(74)
Ending Available Cash Balance	\$161	\$239	\$77	\$0	\$0	\$0	\$0	\$6	\$6	\$0	\$0	\$0	(\$142)	\$0	\$142

Week 9 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 9 same store sales (go-forward stores) were negative (24.1%) for FLS and negative (22.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (23.4%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$96mm on post-petition merchandise disbursements in week 9 which is slightly higher than the forecast disbursement
- The Company made no critical vendor payments in this week
- The Rent/Occupancy expense negative variance is due to timing as an insignificant amount of rent was disbursed in week 8
- Other SG&A Disbursements of \$50mm was below the weekly budgeted amount of \$64mm
 - The \$50mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$14.6mm in transportation and logistics vendor payments, \$2.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- \$0.8mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 6-9 of the proceeding equaled \$165mm, which is well above the budgeted (\$192mm)

Week 8 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 8 same store sales (go-forward stores) were negative (13.4%) for FLS and negative (12.9%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.1%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 8
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made no critical vendor payments for the week
- A small amount of rent checks were cashed during week 8 and the budgeted Rent/Occupancy expense is expected to clear in the next week
- Other SG&A Disbursements of \$53mm was below the weekly budgeted amount of \$87mm
 - The \$53mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$13.7mm in transportation and logistics vendor payments, \$2.0mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company paid \$6mm in interest during the week

Net Cash Flow

- Net cash flow before financing for the rolling three week period of weeks 6-8 of the proceeding equaled \$153mm, which is well above the budgeted (\$142mm)
- The company ended the week with a \$6mm cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The \$6mm was swept to Bank of America the next business day.

Week 7 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 7 same store sales (go-forward stores) were negative (10.3%) for FLS and negative (10.4%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (10.3%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Net proceeds from the SRAC MTNs of \$81mm are not included in the receipts because the cash was segregated in the wind-down reserve account
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 7
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made \$7.5mm in aggregate critical vendor payments for the week
- Other SG&A Disbursements of \$68mm was below the weekly budgeted amount of \$83mm
 - The revised budget submitted on 11/21/18 includes lower Other SG&A Disbursements than the Initial Approved Budget because of the lower rate of spending that has actualized
 - The \$68mm of the Other SG&A Disbursements includes \$7.2mm of payments for Home Services and builder distributors customer orders, \$9.8mm in transportation and logistics vendor payments, \$3.4mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company paid \$10.2mm in interest during the week, and paid \$8.4mm of Jr. DIP fees and \$6.3mm of Sr. DIP fees
- With the final approval of the Sr. DIP and interim approval of the Jr. DIP, the Company paid down \$446mm on the rolled-up ABL revolver, drew \$100mm on the Sr. DIP term loan, and drew \$75mm on the multiple-draw Jr. DIP term loan

Net Cash Flow

- Net cash flow before financing for the rolling two week period of weeks 6-7 of the proceeding equaled \$106mm, which is well above the budgeted (\$51mm)

Week 6 Budget Variance Report - Commentary

- Going forward, the rolling budget variance report will not include weeks prior to week 42 per conversation with BRG on 11/26/18

Receipts

- Week 6 same store sales (go-forward stores) were negative (24.4%) for FLS and negative (7.8%) for Kmart versus prior year for a total combined adjusted same store sales comp of (19.5%)
- The Company had higher than anticipated receipts because of outperformance at GOB stores
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$80mm on post-petition merchandise disbursements in week 6
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 2-3 weeks with higher spending
- The Company made \$11.0mm in critical vendor payments including the third and final pre-petition payment to Whirlpool
- Other SG&A Disbursements of \$50mm was below the weekly budgeted amount of \$65mm
 - The revised budget submitted on 11/21/18 includes lower Other SG&A Disbursements than the Initial Approved Budget because of the lower rate of spending that has actualized
 - The \$50mm of the Other SG&A Disbursements includes \$5.0mm of payments for Home Services and builder distributors customer and franchisee orders, \$14.2mm in transportation and logistics vendor payments, \$2.2mm in advertising payments, and \$1.3mm to fund Sears Home Improvement
- The Company paid no interest or financing fees during the week
- The Company had not made any repayments on the ABL revolver through the end of week 6, since it is required to wait until the final order date to roll up the facility

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 3-6 of the proceeding equaled \$38mm, well above the budgeted (\$178mm)
- Net cash flow before financing for week 6 of \$15mm was \$77mm greater than the budgeted (\$63mm)

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 6-9	
Vendor	Disbursements
EMA	\$36.8
LG HA	35.6
Whirlpool	29.9
Home Services	23.0
Cardinal Health	16.0
Winiadaewoo Electron	12.3
Icon	10.8
Samsung	10.6
Hanesbrands	7.9
MTD	7.9
Wolverine	6.4
P&G	4.5
Dart	4.2
Serta Simmons	3.7
Timberland	3.4
Waterloo Industries	2.7
Kimberly Clark	2.2
Jordache Limited	2.1
Chamberlain Manufacturing	1.9
L'Oreal	1.5
Top 20 Post-petition Vendors	\$223.3
(+) Other	102.8
Total Post-petition Merchandise Disbursements	\$326.1

- The Company made ~\$326mm in payments for post-petition merchandise during budget weeks 6-9
 - The majority of merchandise vendor spend continues on CIA terms
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$72mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 6	Week 7	Week 8	Week 9	Total	
BofA Checks	\$ (3.3)	\$ (9.7)	\$ (7.5)	\$ (7.4)	\$ (28.0)	Issued checks, primarily tax payments
Internal / Other Margin	(4.2)	(3.0)	(2.2)	(6.6)	(16.0)	Home Services logistics and certain contractor payments
Utilities & Telephone	(2.4)	(1.2)	(2.5)	(3.7)	(9.9)	
Outside/Associate/Consulting	(1.6)	(1.2)	(5.5)	(3.0)	(11.3)	Temporary labor
Advertising Expense	(2.2)	(3.4)	(2.0)	(2.6)	(10.2)	
Non-Merch COGS	(2.3)	(1.7)	(2.0)	(1.7)	(7.6)	Licensed businesses including Sears Optical
Equipment Expenses	(0.6)	(3.5)	(1.2)	(1.4)	(6.6)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(5.0)	(7.2)	(3.5)	(3.5)	(19.2)	Franchise and builder distributor appliance network funding
Logistics	(4.4)	(3.6)	(6.2)	(7.4)	(21.6)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(2.1)	(22.1)	(1.9)	(0.0)	(26.1)	
SHP Checks	(1.3)	(2.2)	(2.4)	(2.2)	(8.0)	Funding for Sear Home Improvement
Occupancy Repairs	(0.1)	(0.3)	(0.4)	(0.8)	(1.6)	Building maintenance expense
CheckFreePay	(0.7)	(0.6)	(1.8)	(0.9)	(4.0)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.3)	(1.4)	(1.4)	(1.5)	(5.5)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	-	-	(0.1)	(0.5)	(0.6)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.4)	(0.2)	(0.4)	(0.3)	(1.2)	Shipping expenses
Insurance Exp	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	
BS Adjustment - AP	(0.1)	(0.5)	(0.5)	0.3	(0.8)	Cash received or paid for reconciliation of vendor inventory receipts
CARPACH	(9.8)	(6.2)	(7.5)	(7.2)	(30.7)	Payments to intermodal logistics vendors
P-Card	(5.0)	-	(4.2)	-	(9.2)	Employee procurement credit card payments
India/Israel/GS	(3.4)	-	-	-	(3.4)	Funding for foreign offices
Other SG&A Disbursements	\$ (50.1)	\$ (68.1)	\$ (53.3)	\$ (50.4)	\$ (221.9)	

Exhibit D

DRAFT – FOR DISCUSSION PURPOSES ONLY
PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408

Project Blue

Weekly Flash Report

(DIP Budget Week 10)

December 26, 2018



Week 10 - Actuals For Rolling 4 Weeks

Cash Variance to Budget	Week 43 - Budget Week 7 11/25/18 - 12/1/18			Week 44 - Budget Week 8 12/2/18 - 12/8/18			Week 45 - Budget Week 9 12/9/18 - 12/15/18			Week 46 - Budget Week 10 12/17/18 - 12/22/18			Weeks 43 - 46 11/25/18 - 12/22/18		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$286	\$338	\$52	\$184	\$220	\$36	\$200	\$251	\$51	\$193	\$249	\$56	\$862	\$1,057	\$195
Merch Vendors	(91)	(75)	16	(85)	(75)	11	(95)	(96)	(2)	(85)	(72)	14	(356)	(318)	38
Rent/Occupancy	(1)	0	1	(27)	(1)	25	(10)	(33)	(24)	(1)	(1)	(0)	(39)	(36)	3
Payroll/Bens/Taxes	(68)	(61)	7	(38)	(38)	0	(60)	(56)	5	(32)	(33)	(2)	(197)	(188)	10
Other SG&A Disbursements	(83)	(68)	15	(87)	(53)	33	(64)	(50)	13	(76)	(57)	19	(310)	(229)	81
Total Operating Disbursements	(243)	(204)	39	(237)	(167)	69	(228)	(236)	(7)	(194)	(163)	31	(903)	(771)	132
CapEx	(1)	(0)	1	(1)	(0)	1	(1)	(2)	(1)	(1)	(1)	(0)	(4)	(4)	(0)
Total Operating Cash Flow	\$41	\$133	\$91	(\$54)	\$53	\$106	(\$30)	\$13	\$43	(\$2)	\$84	\$87	(\$45)	\$283	\$327
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	\$0	(\$10)	(\$10)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$10)	(\$10)
Day 1 Critical Vendor Motion	(15)	(7)	8	(15)	0	15	(10)	0	10	(10)	(5)	6	(50)	(12)	38
Insurance	(4)	0	4	0	0	0	0	0	0	(4)	0	4	(9)	0	9
Gift Card Redemptions	(1)		1	(1)		1	(1)		1	(1)		1	(4)		4
KEIP / KERP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Card Holdbacks	0		0	0		0	0		0	0		0	0		0
PTO	(1)	0	1	(1)	0	1	(1)	0	1	(1)	0	1	(3)	0	3
Post-Petition TSA/CSA	0		0	0		0	(1)		1	0		0	(1)		1
Bankruptcy Related Disbursements	(\$21)	(\$17)	\$4	(\$17)	\$0	\$17	(\$13)	\$0	\$13	(\$16)	(\$5)	\$12	(\$67)	(\$22)	\$45
Cash Interest	(\$4)	(\$10)	(\$6)	(\$4)	(\$6)	(\$2)	(\$3)	\$0	\$3	(\$4)	\$0	\$4	(\$15)	(\$16)	(\$1)
Financing Fees	(4)	(15)	(10)	(4)	(0)	4	(4)	(0)	3	(3)	(0)	3	(15)	(15)	(0)
Professional Fees	0	(1)	(1)	(14)	0	14	0	(1)	(1)	0	(2)	(2)	(14)	(4)	10
Intercompany Inflows	0	3	3	0	0	0	0	0	0	0	0	0	0	3	3
Total Other Non-Operating Disbursements	(\$8)	(\$23)	(\$15)	(\$21)	(\$6)	\$15	(\$7)	(\$1)	\$6	(\$7)	(\$2)	\$5	(\$43)	(\$32)	\$11
Net Cash Flows before Financing	\$12	\$92	\$80	(\$92)	\$46	\$138	(\$50)	\$12	\$62	(\$25)	\$78	\$104	(\$155)	\$228	\$383
Financing	(\$173)	(\$272)	(\$99)	\$92	(\$41)	(\$133)	\$50	(\$1)	(\$51)	\$25	(\$72)	(\$98)	(6)	(386)	(380)
Net Cash Flow	(\$161)	(\$180)	(\$19)	\$0	\$6	\$6	\$0	\$11	\$11	(\$0)	\$6	\$6	(\$161)	(\$157)	\$4
Beginning Cash	\$161	\$239	\$78	\$0	\$0	(\$0)	\$0	\$6	\$5	\$0	\$0	\$0	\$161	\$239	\$78
Cash Flow Before Financing	12	92	80	(92)	46	138	(50)	12	62	(25)	78	104	(155)	228	383
Financing	(173)	(272)	(99)	92	(41)	(133)	50	(1)	(51)	25	(72)	(98)	(6)	(386)	(380)
Change in Carveout Account	0	(58)	(58)	0	0	0	0	(16)	(16)	0	(7)	(7)	0	(81)	(81)
Ending Available Cash Balance	\$0	\$0	\$0	\$0	\$6	\$6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Week 10 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 10 same store sales (go-forward stores) were negative (26.9%) for FLS and negative (26.6%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (26.8%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$72mm on post-petition merchandise disbursements in week 10 which is below the forecast disbursement by ~\$14mm
- The Company paid \$4.5mm in critical vendor payments during the week
- Other SG&A Disbursements of \$57mm was below the weekly budgeted amount of \$76mm
 - The \$57mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$11.1mm in transportation and logistics vendor payments, \$3.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.1mm of financing fees
- \$1.5mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 7-10 of the proceeding equaled \$228mm, which is well above the budgeted (\$155mm)

Week 9 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 9 same store sales (go-forward stores) were negative (24.1%) for FLS and negative (22.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (23.4%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$96mm on post-petition merchandise disbursements in week 9 which is slightly higher than the forecast disbursement
- The Company made no critical vendor payments in this week
- The Rent/Occupancy expense negative variance is due to timing as an insignificant amount of rent was disbursed in week 8
- Other SG&A Disbursements of \$50mm was below the weekly budgeted amount of \$64mm
 - The \$50mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$14.6mm in transportation and logistics vendor payments, \$2.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- \$0.8mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 6-9 of the proceeding equaled \$165mm, which is well above the budgeted (\$192mm)

Week 8 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 8 same store sales (go-forward stores) were negative (13.4%) for FLS and negative (12.9%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.1%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 8
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made no critical vendor payments for the week
- A small amount of rent checks were cashed during week 8 and the budgeted Rent/Occupancy expense is expected to clear in the next week
- Other SG&A Disbursements of \$53mm was below the weekly budgeted amount of \$87mm
 - The \$53mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$13.7mm in transportation and logistics vendor payments, \$2.0mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company paid \$6mm in interest during the week

Net Cash Flow

- Net cash flow before financing for the rolling three week period of weeks 6-8 of the proceeding equaled \$153mm, which is well above the budgeted (\$142mm)
- The company ended the week with a \$6mm cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The \$6mm was swept to Bank of America the next business day.

Week 7 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 7 same store sales (go-forward stores) were negative (10.3%) for FLS and negative (10.4%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (10.3%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Net proceeds from the SRAC MTNs of \$81mm are not included in the receipts because the cash was segregated in the wind-down reserve account
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 7
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made \$7.5mm in aggregate critical vendor payments for the week
- Other SG&A Disbursements of \$68mm was below the weekly budgeted amount of \$83mm
 - The revised budget submitted on 11/21/18 includes lower Other SG&A Disbursements than the Initial Approved Budget because of the lower rate of spending that has actualized
 - The \$68mm of the Other SG&A Disbursements includes \$7.2mm of payments for Home Services and builder distributors customer orders, \$9.8mm in transportation and logistics vendor payments, \$3.4mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company paid \$10.2mm in interest during the week, and paid \$8.4mm of Jr. DIP fees and \$6.3mm of Sr. DIP fees
- With the final approval of the Sr. DIP and interim approval of the Jr. DIP, the Company paid down \$446mm on the rolled-up ABL revolver, drew \$100mm on the Sr. DIP term loan, and drew \$75mm on the multiple-draw Jr. DIP term loan

Net Cash Flow

- Net cash flow before financing for the rolling two week period of weeks 6-7 of the proceeding equaled \$106mm, which is well above the budgeted (\$51mm)

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 7-10	
Vendor	Disbursements
Whirlpool	\$35.1
Home Services	30.5
LG HA	28.7
EMA	26.6
Cardinal Health	16.3
Winiadaewoo Electronics	15.3
Hanesbrands	10.8
Samsung	8.6
Icon	7.9
MTD	7.3
P&G	5.4
Serta Simmons	3.5
Waterloo Industries	3.0
Wolverine	2.5
Timberland	2.4
Chamberlain Manufacturing	2.3
Sealy Mattress Compa	2.2
Kimberly Clark	2.2
Jordache Limited	2.2
VF Jeanswear Limited	1.8
Top 20 Post-petition Vendors	\$214.4
(+) Other	103.6
Total Post-petition Merchandise Disbursements	\$318.0

- The Company made ~\$318mm in payments for post-petition merchandise during budget weeks 7-10
 - The majority of merchandise vendor spend continues on CIA terms
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$70mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 7	Week 8	Week 9	Week 10	Total	
BofA Checks	\$ (9.7)	\$ (7.5)	\$ (7.4)	\$ (5.9)	\$ (30.6)	Issued checks, primarily tax payments
Internal / Other Margin	(3.0)	(2.2)	(6.6)	(3.3)	(15.1)	Home Services logistics and certain contractor payments
Utilities & Telephone	(1.2)	(2.5)	(3.7)	(4.4)	(11.9)	
Outside/Associate/Consulting	(1.2)	(5.5)	(3.0)	(4.6)	(14.3)	Temporary labor
Advertising Expense	(3.4)	(2.0)	(2.6)	(3.6)	(11.6)	
Non-Merch COGS	(1.7)	(2.0)	(1.7)	(2.2)	(7.6)	Licensed businesses including Sears Optical
Equipment Expenses	(3.5)	(1.2)	(1.4)	(5.2)	(11.2)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(7.2)	(3.5)	(3.5)	(2.8)	(17.0)	Franchise and builder distributor appliance network funding
Logistics	(3.6)	(6.2)	(7.4)	(4.7)	(21.9)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(22.1)	(1.9)	(0.0)	(3.2)	(27.2)	
SHP Checks	(2.2)	(2.4)	(2.2)	(2.2)	(9.0)	Funding for Sear Home Improvement
Occupancy Repairs	(0.3)	(0.4)	(0.8)	(0.8)	(2.3)	Building maintenance expense
CheckFreePay	(0.6)	(1.8)	(0.9)	(0.8)	(4.1)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.4)	(1.4)	(1.5)	(1.4)	(5.6)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	-	(0.1)	(0.5)	(0.4)	(1.1)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.2)	(0.4)	(0.3)	(0.4)	(1.3)	Shipping expenses
Insurance Exp	(0.1)	(0.0)	(0.0)	(0.1)	(0.2)	
BS Adjustment - AP	(0.5)	(0.5)	0.3	(0.0)	(0.7)	Cash received or paid for reconciliation of vendor inventory receipts
CARPACH	(6.2)	(7.5)	(7.2)	(6.4)	(27.3)	Payments to intermodal logistics vendors
P-Card	-	(4.2)	-	(5.0)	(9.2)	Employee procurement credit card payments
India/Israel/GS	-	-	-	(0.2)	(0.2)	Funding for foreign offices
Other SG&A Disbursements	\$ (68.1)	\$ (53.3)	\$ (50.4)	\$ (57.4)	\$ (229.2)	

Exhibit E

DRAFT – FOR DISCUSSION PURPOSES ONLY
PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408

Project Blue

Weekly Flash Report

(DIP Budget Week 11)

January 2, 2019



sears

kmart

SHOP YOUR WAY®

Week 11 - Actuals For Rolling 4 Weeks

Cash Variance to Budget	Week 44 - Budget Week 8			Week 45 - Budget Week 9			Week 46 - Budget Week 10			Week 47 - Budget Week 11			Weeks 44 - 47		
	12/2/18 - 12/8/18			12/9/18 - 12/15/18			12/17/18 - 12/22/18			12/23/18 - 12/29/18			12/2/18 - 12/29/18		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$184	\$220	\$36	\$200	\$251	\$51	\$193	\$249	\$56	\$215	\$229	\$14	\$791	\$948	\$157
Merch Vendors	(85)	(75)	11	(95)	(96)	(2)	(85)	(72)	14	(51)	(55)	(4)	(316)	(297)	19
Rent/Occupancy	(27)	(1)	25	(10)	(33)	(24)	(1)	(1)	(0)	(1)	0	1	(39)	(36)	3
Payroll/Bens/Taxes	(38)	(38)	0	(60)	(56)	5	(32)	(33)	(2)	(58)	(53)	5	(187)	(180)	8
Other SG&A Disbursements	(87)	(53)	33	(64)	(50)	13	(76)	(57)	19	(76)	(45)	31	(302)	(206)	97
Total Operating Disbursements	(237)	(167)	69	(228)	(236)	(7)	(194)	(163)	31	(185)	(152)	33	(845)	(719)	126
CapEx	(1)	(0)	1	(1)	(2)	(1)	(1)	(1)	(0)	(1)	(0)	1	(4)	(4)	0
Total Operating Cash Flow	(\$54)	\$53	\$106	(\$30)	\$13	\$43	(\$2)	\$84	\$87	\$29	\$76	\$48	(\$58)	\$226	\$284
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Day 1 Critical Vendor Motion	(15)	0	15	(10)	0	10	(10)	(5)	6	(10)	0	10	(45)	(5)	41
Insurance	0	0	0	0	0	0	(4)	0	4	0	0	0	(4)	0	4
Gift Card Redemptions	(1)		1	(1)		1	(1)		1	(1)		1	(4)		4
KEIP / KERP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Card Holdbacks	0		0	0		0	0		0	0		0	0		0
PTO	(1)	0	1	(1)	0	1	(1)	0	1	(1)	0	1	(3)	0	3
Post-Petition TSACSA	0		0	(1)		1	0		0	(1)		1	(1)		1
Bankruptcy Related Disbursements	(\$17)	\$0	\$17	(\$13)	\$0	\$13	(\$16)	(\$5)	\$12	(\$13)	\$0	\$13	(\$58)	(\$5)	\$53
Cash Interest	(\$4)	(\$6)	(\$2)	(\$3)	\$0	\$3	(\$4)	\$0	\$4	(\$4)	\$0	\$4	(\$15)	(\$6)	\$9
Financing Fees	(4)	(0)	4	(4)	(0)	3	(3)	(0)	3	0	(0)	(0)	(11)	(1)	10
Professional Fees	(14)	0	14	0	(1)	(1)	0	(2)	(2)	0	0	0	(14)	(2)	11
Intercompany Inflows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Non-Operating Disbursements	(\$21)	(\$6)	\$15	(\$7)	(\$1)	\$6	(\$7)	(\$2)	\$5	(\$4)	(\$0)	\$4	(\$40)	(\$9)	\$30
Net Cash Flows before Financing	(\$92)	\$46	\$138	(\$50)	\$12	\$62	(\$25)	\$78	\$104	\$11	\$76	\$65	(\$156)	\$212	\$368
Financing	\$92	(\$41)	(\$133)	\$50	(\$1)	(\$51)	\$25	(\$72)	(\$98)	(\$11)	(\$35)	(\$24)	156	(149)	(\$305)
Net Cash Flow	\$0	\$6	\$6	\$0	\$11	\$11	\$0	\$6	\$6	\$0	\$41	\$41	\$0	\$63	\$63
Beginning Cash	\$0	\$0	(\$0)	\$0	\$6	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow Before Financing	(92)	46	138	(50)	12	62	(25)	78	104	11	76	65	(156)	212	368
Financing	92	(41)	(133)	50	(1)	(51)	25	(72)	(98)	(11)	(35)	(24)	156	(149)	(305)
Change in Carveout Account	0	0	0	0	(16)	(16)	0	(7)	(7)	0	(6)	(6)	0	(29)	(29)
Ending Available Cash Balance	\$0	\$6	\$6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$35	\$0	\$0	\$35	\$35

Week 11 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 11 same store sales (go-forward stores) were negative (7.4%) for FLS and 4.0% for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (2.5%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$55mm on post-petition merchandise disbursements in week 11 which is above the forecast disbursements by ~\$4mm
- The Company made no critical vendor payments during the week
- Other SG&A Disbursements of \$45mm was below the weekly budgeted amount of \$76mm
 - The \$45mm of the Other SG&A Disbursements includes \$2.3mm of payments for Home Services and builder distributors customer orders, \$8.6mm in transportation and logistics vendor payments, \$1.7mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- No professional fees were paid during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 8-11 of the proceeding equaled \$212mm, which is well above the budgeted (\$156mm)
- The Company ended the week with a \$35mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday and the Company borrowed \$24mm for an insurance payment it did not pay on Friday
 - The Company made the insurance payment and all remaining cash was swept to Bank of America the next business day

Week 10 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 10 same store sales (go-forward stores) were negative (26.9%) for FLS and negative (26.6%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (26.8%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$72mm on post-petition merchandise disbursements in week 10 which is below the forecast disbursements by ~\$14mm
- The Company paid \$4.5mm in critical vendor payments during the week
- Other SG&A Disbursements of \$57mm was below the weekly budgeted amount of \$76mm
 - The \$57mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$11.1mm in transportation and logistics vendor payments, \$3.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.1mm of financing fees
- \$1.5mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 7-10 of the proceeding equaled \$228mm, which is well above the budgeted (\$155mm)

Week 9 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 9 same store sales (go-forward stores) were negative (24.1%) for FLS and negative (22.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (23.4%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$96mm on post-petition merchandise disbursements in week 9 which is slightly higher than the forecast disbursement
- The Company made no critical vendor payments in this week
- The Rent/Occupancy expense negative variance is due to timing as an insignificant amount of rent was disbursed in week 8
- Other SG&A Disbursements of \$50mm was below the weekly budgeted amount of \$64mm
 - The \$50mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$14.6mm in transportation and logistics vendor payments, \$2.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- \$0.8mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 6-9 of the proceeding equaled \$165mm, which is well above the budgeted (\$192mm)

Week 8 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 8 same store sales (go-forward stores) were negative (13.4%) for FLS and negative (12.9%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.1%), and cash receipts outperformance is due to same store sales decreasing less than the budgeted negative (15.0%) decline
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$75mm on post-petition merchandise disbursements in week 8
 - The inventory management team expects to net out the positive variance for merchandise disbursement in the next 1-4 weeks with higher spending
- The Company made no critical vendor payments for the week
- A small amount of rent checks were cashed during week 8 and the budgeted Rent/Occupancy expense is expected to clear in the next week
- Other SG&A Disbursements of \$53mm was below the weekly budgeted amount of \$87mm
 - The \$53mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$13.7mm in transportation and logistics vendor payments, \$2.0mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company paid \$6mm in interest during the week

Net Cash Flow

- Net cash flow before financing for the rolling three week period of weeks 6-8 of the proceeding equaled \$153mm, which is well above the budgeted (\$142mm)
- The company ended the week with a \$6mm cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The \$6mm was swept to Bank of America the next business day.

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 8-11	
Vendor	Disbursements
Whirlpool	\$35.3
Home Services	32.6
EMA	21.9
LG HA	19.6
Winiadaewoo Electronics	16.5
Cardinal Health	16.1
Samsung	8.2
P&G	5.4
Hanesbrands	5.5
Icon	4.6
VF Jeanswear Limited	3.5
MTD	3.5
Sealy Mattress Compa	3.4
Waterloo Industries	3.3
Wolverine World Wide	3.2
Chamberlain Manufacturing	2.9
Timberland	2.6
Serta Simmons	2.4
Kimberly Clark	2.2
Union Underwear	1.7
Top 20 Post-petition Vendors	\$193.9
(+) Other	103.4
Total Post-petition Merchandise Disbursements	\$297.3

- The Company made ~\$297mm in payments for post-petition merchandise during budget weeks 8-11
 - The majority of merchandise vendor spend continues on CIA terms
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$76mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 8	Week 9	Week 10	Week 11	Total	
BofA Checks	\$ (7.5)	\$ (7.4)	\$ (5.9)	\$ (4.9)	\$ (25.8)	Issued checks, primarily tax payments
Internal / Other Margin	(2.2)	(6.6)	(3.3)	(3.5)	(15.6)	Home Services logistics and certain contractor payments
Utilities & Telephone	(2.5)	(3.7)	(4.4)	(3.9)	(14.6)	
Outside/Associate/Consulting	(5.5)	(3.0)	(4.6)	(4.4)	(17.6)	Temporary labor
Advertising Expense	(2.0)	(2.6)	(3.6)	(1.7)	(9.9)	
Non-Merch COGS	(2.0)	(1.7)	(2.2)	(2.0)	(7.9)	Licensed businesses including Sears Optical
Equipment Expenses	(1.2)	(1.4)	(5.2)	(3.1)	(10.8)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(3.5)	(3.5)	(2.8)	(2.3)	(12.1)	Franchise and builder distributor appliance network funding
Logistics	(6.2)	(7.4)	(4.7)	(3.6)	(21.9)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(1.9)	(0.0)	(3.2)	(4.7)	(9.8)	
SHP Checks	(2.4)	(2.2)	(2.2)	(2.4)	(9.2)	Funding for Sear Home Improvement
Occupancy Repairs	(0.4)	(0.8)	(0.8)	(0.9)	(2.9)	Building maintenance expense
CheckFreePay	(1.8)	(0.9)	(0.8)	(0.6)	(4.1)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.4)	(1.5)	(1.4)	(1.0)	(5.2)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	(0.1)	(0.5)	(0.4)	-	(1.1)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.4)	(0.3)	(0.4)	(0.4)	(1.4)	Shipping expenses
Insurance Exp	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	
BS Adjustment - AP	(0.5)	0.3	(0.0)	(0.3)	(0.6)	Cash received or paid for reconciliation of vendor inventory receipts
CARPACH	(7.5)	(7.2)	(6.4)	(5.0)	(26.1)	Payments to intermodal logistics vendors
P-Card	(4.2)	-	(5.0)	-	(9.2)	Employee procurement credit card payments
India/Israel/GS	-	-	(0.2)	-	(0.2)	Funding for foreign offices
Other SG&A Disbursements	\$ (53.3)	\$ (50.4)	\$ (57.4)	\$ (44.8)	\$ (205.9)	

Exhibit F



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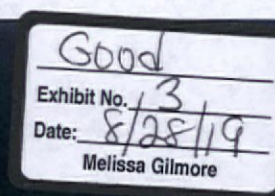
DieHard.



Project Blue

Rolling Cash Flow Budget (Week 11)

January 2, 2019



SEARS HOLDINGS

Executive Summary

- The Revised DIP Budget contained herein reflects the preliminary go-forward business plan of 425 stores. The 1st GOB wave of 142 stores ends in week 49, the 2nd GOB wave of 40 stores ends in week 52 and the 3rd wave of 80 stores ends in week 6 of 2019 (the “Rolling 13-Week DIP Budget”)
 - Wave 3 GOB Modeling is preliminary and the Company is currently working with Abacus and the inventory management to finalize its plan for internal augment and store performance; the
 - During week 43, the Company filed its Final DIP ABL Order and Interim Junior DIP Order:
 - This Company rolled certain pre-petition 1L credit facilities into the post-petition DIP ABL, and also repaid the ABL revolver with available cash and draws from both the Senior and Junior DIP facilities.
 - The Company drew \$100mm on the Senior DIP term loan and \$75mm on the multiple-draw Junior DIP term loan.
 - Through week 47, the company funded a net ~\$85mm into a carve-out reserve and \$10mm into a utility deposit account.
 - Certain adjustments were incorporated into the Rolling 13-Week DIP Budget to adjust for timing and expectations:
 - Normal Course Net Merchandise Receipts was updated for timing of the holiday season sales for TY vs. LY (52 vs. 53 weeks).
 - \$50mm of positive merchandise disbursements variance is spread across weeks 48-52 to adjust for low inventory “in-stock” levels at the stores. SG&A positive variances are assumed to be permanent.
- Please refer to the Weekly Flash Report for a more detailed budget vs. actuals reporting
- All other financial assumptions are listed on the following Cash Flow Assumptions page



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Week 11 Rolling Cash Flow Assumptions

Cash Receipts

[1]	Normal Course Merchandise Receipts	Includes ongoing sales for 687 stores until the 142 GOB Wave began in Week 38, 545 stores until the 40 GOB Wave began in Week 42, and 505 stores thereafter
[2]	GOB Sales Receipts	Same-store sales comps assumes (15.0%) for Kmart and (15.0%) for Sears. Prior year Puerto Rico and Virgin Island stores adjusted for Hurricane Maria
		Wave 1 of GOBs includes 142 stores which commenced around October 26 and Wave 2 includes 40 around November 16. Both waves end in 11 weeks
		Wave 3 of GOBs includes 80 stores which commence on or around January 6 and also ends in 11 weeks. Total NOLV for the Wave 3 closing stores is assumed at ~92% on a preliminary basis and the sales cadence is commensurate with the historical GOLV spread across the 11-week GOB period
[3]	PA Sales	Liquidator expenses assume assumption of the Abacus contract and continuation of the same business terms
[4]	Other Cash Receipts	PA Sales reflect new agreement with Assurant that allows sales to continue under different terms; actuals are estimated
		Other ancillary business trended down in line with historical trends and seasonally adjusted
[5]	Non-Operating Receipts	Other Revenues is further adjusted down to assume a negative "halo effect" adjustment to other services / merchandise sales from to a smaller store footprint.
[6]	TSA & CSA Receipts	Citibank payments and insurance proceeds
		Assumes no TSA & CSA receipts through 18 weeks after the Petition Date

Operating Disbursements

[7]	Merchandise Vendors	Based on detailed store level build of COGS and assumes a majority of CIA payments for merchandise with a 1-week lead time
		Assumes the current AP terms remains constant
[8]	Occupancy	Assumes all dark store leases are rejected and GOB leases are rejected at the end of the GOB sales period. Ongoing occupancy assumes go-forward rent, CAM, and tax roll
		DC rent is included in Occupancy
[9]	Payroll, Taxes, and Benefits	The Company's detailed Payroll, Taxes, and Benefits build as provided by HR. GOB store payroll is removed at the end of the GOB period.
		November headcount reduction has been incorporated
[10]	Other SG&A Disbursements	Corporate SG&A reduced over time to reflect a decline in home office expense associated with servicing the stores and general reductions in force
		Major line items include outside services, utilities, outside contractors, marketing, equipment expenses, and other non-merch expenses
[11]	GOB Rent	Contractual rent paid and per diem rent paid in the final month of the GOB sales
[12]	GOB Additional Expenses / Benefit	Includes additional GOB related expenses, net of isolated store expense add-backs
[13]	Capital Expenditures	Capex assumes historical levels with reductions in line with store closures

Non-Operating Disbursements

[14]	Utility Deposits	\$10.0mm was disbursed from the SHC cash account during week 43 and into a Utility Deposit account. Deposits will be paid from this restricted cash account.
[15]	Professional Fees	Professional Fees assumed to be paid from the SHC account and refunded by the Carve-Out restricted cash account. SHC is expected to fund weekly accrual amounts.
[16]	Critical Vendor Payments	\$98mm of spend on critical vendor payments during the post-petition period
[17]	Insurance Payments	\$8.6mm of additional health insurance claims filed over the run-rate through December
[18]	Gift Card Redemptions	Assumes an additional \$1mm of weekly gift card redemptions through December. Actual results will net out of cash inflows.
[19]	KEIP / KERP	\$20mm of total KEIP / KERP modeled based on proposed plan filed with Court on 11/15/18 (\$6mm through the projection period). Under review as of week 44.
[24]	Cash Interest	Cash interest assumed to be paid on the 1L and Cascade facilities
		L + 700 assumed on the \$112mm Senior DIP term loan and L + 350 assumed on the post-petition ABL
		L + 950 assumed on the \$350mm Junior DIP term loan
		10% assumed interest rate on Buyer Financing
[25]	Financing Fee	Financing fee of 4% on the total capacity of the Senior DIP \$300mm facility plus a \$1.5mm agent fee
		Financing fee of 3% on the Junior DIP facility, and Financing fee of 2% on Buyer Financing

Net Cash Flow & Liquidity

[26]	Financing	Includes Sr. DIP/ABL Revolver draws / paydowns, and Junior DIP multi-draw financing facility
		The 1L facilities were rolled-up with the DIP ABL facility concurrent with the Final Order hearing in Week 43
[27]	Buyer Financing	Assumed loan that bridges the Company's net availability needs through the close of going concern sale by 2/9/19
[28]	Memo: Total Liquidity	Total net availability under the new contemplated borrowing base agreement, including Buyer Financing
[29]	Memo: Wind-down Account - Restricted Cash	Includes proceeds from MTN sales, real estate sales, and sale of SHIP for \$60mm in Week 46 (all proceeds from SHIP sale are allocated to the Wind-down reserve in week 47)
[30]	Memo: Carve-Out Account - Restricted Cash	During week 43, the Company funded ~\$58mm in the Carve-Out Restricted Cash account. Prior to week 43, the majority was net against the Borrowing Base
		Beyond week 43, the component of the carve-out reserve netted against the Borrowing Base includes the post-trigger notice fee cap plus trustee fees
[33]	Memo: GOB NOLV	Weekly NOLV based on GOB proceeds (not including pharmacy assets), less GOB expenses as a percentage of weekly COGS. Does not include GOB expense add back.



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Week 11 Rolling Cash Flow Budget

Retail Month		October			November				December				January				February				March		Total	
Budget Week		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Forecast / Actual		ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST
Week Ending		10/20/18	10/27/18	11/3/18	11/10/18	11/17/18	11/24/18	12/1/18	12/8/18	12/15/18	12/22/18	12/29/18	1/5/19	1/12/19	1/19/19	1/26/19	2/2/19	2/9/19	2/16/19	2/23/19	3/2/19	3/9/19	3/16/19	3/16/19
Retail Week		201837	201838	201839	201840	201841	201842	201843	201844	201845	201846	201847	201848	201849	201850	201851	201852	201901	201902	201903	201904	201905	201906	1-22
KEY ASSUMPTIONS																								
Go-Forward Same Store Sales Comps		-6%	-11%	-17%	-26%	-14%	-20%	-10%	-13%	-23%	-27%	-3%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	
Forecast Gross Margin		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	
Other Inflows Sales Comps		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	
Other Inflows Store Size Halo Impact		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Keep Stores		687	687	545	545	545	505	505	505	505	505	505	425	425	425	425	425	425	425	425	425	425	425	
Wave 1 Stores		0	0	142	142	142	142	142	142	142	142	142	142	142	0	0	0	0	0	0	0	0	0	
Wave 2 Stores		0	0	0	0	0	40	40	40	40	40	40	40	40	40	40	40	0	0	0	0	0	0	
Wave 3 Stores		0	0	0	0	0	0	0	0	0	0	0	0	80	80	80	80	80	80	80	80	80	80	
CASH RECEIPTS																								
Total Cash Receipts		\$192	\$169	\$197	\$215	\$213	\$187	\$341	\$220	\$251	\$249	\$229	\$168	\$161	\$137	\$133	\$129	\$120	\$124	\$131	\$124	\$112	\$110	\$3,910
OPERATING DISBURSEMENTS																								
[7]	Merchandise Vendors	(\$21)	(\$71)	(\$52)	(\$87)	(\$83)	(\$80)	(\$75)	(\$75)	(\$96)	(\$72)	(\$55)	(\$58)	(\$65)	(\$62)	(\$60)	(\$61)	(\$55)	(\$56)	(\$54)	(\$55)	(\$56)	(\$59)	(\$1,408)
[8]	Occupancy	0	0	0	(24)	(2)	0	0	(1)	(24)	(1)	0	(1)	(21)	(1)	(1)	(1)	(16)	(15)	(1)	(1)	(16)	(6)	(136)
[9]	Payroll, Taxes, and Benefits	(44)	(28)	(65)	(31)	(58)	(32)	(61)	(38)	(56)	(33)	(53)	(34)	(43)	(29)	(29)	(44)	(31)	(39)	(25)	(46)	(30)	(41)	(888)
[10]	Other SG&A Disbursements	(15)	(55)	(46)	(45)	(65)	(50)	(68)	(53)	(50)	(57)	(45)	(65)	(66)	(60)	(72)	(57)	(63)	(54)	(59)	(53)	(59)	(56)	(1,215)
[11]	GOB Rent	0	0	0	(9)	(1)	0	0	0	(9)	0	0	0	(9)	0	0	0	(2)	(1)	0	0	0	0	(31)
[12]	GOB Additional Expenses / Benefit	0	0	0	0	0	0	0	0	0	0	0	(5)	(8)	1	1	1	3	3	3	3	3	3	7
Total Operating Disbursements		(\$80)	(\$154)	(\$163)	(\$196)	(\$209)	(\$161)	(\$204)	(\$167)	(\$236)	(\$163)	(\$152)	(\$163)	(\$213)	(\$152)	(\$161)	(\$162)	(\$164)	(\$161)	(\$136)	(\$153)	(\$160)	(\$159)	(\$3,672)
[13]	CapEx	0	0	0	(1)	(0)	0	(0)	(0)	(2)	(1)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(16)
Net Operating Cash Flow		\$111	\$15	\$34	\$18	\$3	\$26	\$136	\$53	\$13	\$84	\$76	\$4	(\$53)	(\$16)	(\$30)	(\$35)	(\$45)	(\$38)	(\$5)	(\$30)	(\$49)	(\$50)	\$222
NON-OPERATING CASH FLOW																								
[14]	Utility Deposits	\$0	\$0	\$0	\$0	\$0	\$0	(\$10)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$10)
[15]	Professional Fees	0	0	0	0	0	0	(1)	0	(1)	(2)	0	(12)	0	0	(18)	0	0	0	(27)	0	0	0	(61)
[16]	Critical Vendor Payments	0	(9)	0	(8)	(8)	(11)	(7)	0	0	(5)	0	(10)	(10)	(10)	(10)	(10)	0	0	0	0	0	0	(98)
[17]	Insurance Payments	0	0	0	0	0	0	0	0	0	0	0	0	(4)	0	0	0	0	0	0	0	0	0	(4)
[18]	Gift Card Redemptions	0	0	0	0	0	0	0	0	0	0	0	(1)	0	0	0	0	0	0	0	0	0	0	(1)
[19]	KEIP / KERF	0	0	0	0	0	0	0	0	0	0	0	0	0	(6)	0	0	0	0	0	0	0	0	(6)
[20]	Credit Card Holdbacks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
[21]	Store PTO / Severance	0	0	0	0	0	0	0	0	0	0	0	0	(4)	0	0	(1)	0	0	0	0	0	0	(5)
[22]	Corporate PTO / Severance	0	0	0	0	0	0	0	0	0	0	0	(1)	(1)	(1)	(0)	(0)	0	0	0	0	0	0	(3)
[23]	Post-Petition TSA/CSA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Chapter 11 Related Disbursements		\$0	(\$9)	\$0	(\$8)	(\$8)	(\$11)	(\$19)	\$0	(\$1)	(\$6)	\$0	(\$24)	(\$19)	(\$17)	(\$29)	(\$12)	\$0	\$0	(\$27)	\$0	\$0	\$0	(\$189)
[24]	Cash Interest	(\$1)	(\$1)	(\$1)	(\$13)	(\$1)	\$0	(\$10)	(\$6)	\$0	\$0	\$0	(\$3)	(\$3)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$5)	(\$5)	(\$5)	(\$80)
[25]	Financing Fees	(10)	0	0	(1)	0	0	(15)	(0)	(0)	0	(0)	(3)	(0)	0	0	0	0	0	(4)	0	0	0	(33)
Other Non-Operating Disbursements		(\$11)	(\$1)	(\$1)	(\$14)	(\$1)	\$0	(\$25)	(\$6)	(\$0)	\$0	(\$0)	(\$6)	(\$3)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$8)	(\$5)	(\$5)	(\$5)	(\$113)
Net Cash Flow Before Financing		\$100	\$5	\$33	(\$4)	(\$6)	\$15	\$92	\$46	\$12	\$78	\$76	(\$26)	(\$75)	(\$36)	(\$62)	(\$51)	(\$49)	(\$43)	(\$42)	(\$34)	(\$54)	(\$55)	(\$79)
[26]	Financing	112	0	0	(100)	0	0	(330)	(46)	(12)	(78)	(41)	(9)	75	36	62	51	49	43	42	34	54	55	(4)
Net Cash Flow		\$212	\$5	\$33	(\$104)	(\$6)	\$15	(\$239)	\$0	\$0	\$0	\$35	(\$35)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$84)
Available Cash		\$296	\$300	\$333	\$229	\$224	\$239	\$0	\$0	\$0	\$0	\$35	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Availability Before Buyer Financing		165	118	35	85	55	50	322	229	212	211	173	173	142	205	174	142	48	0	(29)	(79)	(146)	(193)	(193)
[27]	Buyer Financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29	79	146	193	193
[28]	Memo: Total Liquidity (Availability + Cash)	\$461	\$419	\$369	\$314	\$279	\$288	\$322	\$229	\$212	\$212	\$208	\$174	\$143	\$205	\$174	\$142	\$48	\$1	\$0	\$0	\$0	\$0	\$0
[29]	Memo: Wind-down Account - Restricted Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$81	\$81	\$81	\$81	\$81	\$81	\$145	\$154	\$163	\$172	\$181	\$189	\$198	\$207	\$216	\$226	\$226
[30]	Memo: Carve-Out Account - Restricted Cash	NA	NA	NA	NA	NA	NA	\$58	\$58	\$74	\$79	\$85	\$85	\$91	\$98	\$86	\$92	\$95	\$99	\$75	\$78	\$82	\$85	\$85
[31]	Memo: Borrowing Base	\$1,805	\$1,758	\$1,675	\$1,625	\$1,595	\$1,590	\$1,515	\$1,375	\$1,362	\$1,288	\$1,215	\$1,108	\$1,086	\$1,090	\$1,107	\$1,131	\$1,092	\$1,091	\$1,081	\$1,070	\$1,061	\$1,071	\$1,071
[32]	Memo: Loan to Value %	79.9%	82.0%	85.8%	83.2%	84.7%	85.0%	69.9%	73.8%	74.6%	73.9%	75.8%	74.5%	76.5%	71.9%	74.6%	77.2%	83.7%	87.2%	87.2%	87.1%	87.0%	87.1%	NA
[33]	Memo: Sr. DIP & 1L Balance	\$1,640	\$1,640	\$1,640	\$1,540	\$1,540	\$1,540	\$1,193	\$1,147	\$1,150	\$1,077	\$1,042	\$935	\$944	\$885	\$933	\$989	\$1,044	\$1,090	\$1,081	\$1,070	\$1,061	\$1,071	\$1,071
[34]	Memo: Jr DIP Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$75	\$75	\$75	\$75	\$75	\$175	\$250	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
[35]	Memo: Merch AP Balance	\$11	\$29	\$30	\$34	\$63	\$59	\$73	\$81	\$72	\$70	\$76	\$86	\$91	\$103	\$105	\$104	\$101	\$101	\$102	\$101	\$100	\$98	\$98



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Supporting Schedules



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Summary Borrowing Base

Retail Month	October			November				December					January				February				March	
Budget Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Actual / Estimate / Forecast	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	EST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST
Week Ending	10/20/18	10/27/18	11/3/18	11/10/18	11/17/18	11/24/18	12/1/18	12/8/18	12/15/18	12/22/18	12/29/18	1/5/19	1/12/19	1/19/19	1/26/19	2/2/19	2/9/19	2/16/19	2/23/19	3/2/19	3/9/19	3/16/19
Retail Week	201837	201838	201839	201840	201841	201842	201843	201844	201845	201846	201847	201848	201849	201850	201851	201852	201901	201902	201903	201904	201905	201906
Borrowing Base Forecast Week	201837	201838	201839	201840	201841	201842	201843	201844	201845	201846	201847	201848	201849	201850	201851	201852	201901	201902	201903	201904	201905	201906
Inventory Roll																						
Beginning Inventory	\$2,745	\$2,691	\$2,610	\$2,519	\$2,458	\$2,403	\$2,358	\$2,254	\$2,188	\$2,151	\$1,999	\$1,899	\$1,829	\$1,799	\$1,769	\$1,767	\$1,757	\$1,744	\$1,725	\$1,703	\$1,687	\$1,677
Plus: Normal Course Merchandise Receipts	85	54	42	61	82	99	75	90	88	75	84	76	59	60	65	62	60	52	55	55	54	55
Plus: Timing for Delayed Merchandise Receipts													10	10	10							
Less: GOB Merchandise COGS	0	0	(20)	(28)	(29)	(35)	(43)	(38)	(53)	(55)	(50)	(50)	(36)	(45)	(23)	(22)	(23)	(18)	(19)	(17)	(16)	(14)
Less: Go-Forward Merchandise COGS	(98)	(98)	(78)	(78)	(81)	(80)	(164)	(99)	(86)	(99)	(124)	(96)	(57)	(49)	(47)	(43)	(43)	(45)	(51)	(46)	(41)	(42)
Less: Accounting Adjustments / Other	(41)	(37)	(35)	(16)	(27)	(30)	29	(19)	14	(73)	(10)	0	0	0	0	0	0	0	0	0	0	0
Less: Seasonal Adjustment for CMD													(6)	(6)	(6)	(6)	(8)	(8)	(8)	(8)	(8)	(8)
Adjusted Stock Level Ending Inventory (BBC)	\$2,691	\$2,610	\$2,519	\$2,458	\$2,403	\$2,358	\$2,254	\$2,188	\$2,151	\$1,999	\$1,899	\$1,829	\$1,799	\$1,769	\$1,767	\$1,757	\$1,744	\$1,725	\$1,703	\$1,687	\$1,677	\$1,668
BB Calculation																						
In-transit Reserve	(\$145)	(\$140)	(\$127)	(\$119)	(\$85)	(\$63)	(\$77)	(\$61)	(\$99)	(\$45)	(\$44)	(\$45)	(\$83)	(\$81)	(\$81)	(\$81)	(\$80)	(\$79)	(\$78)	(\$77)	(\$77)	(\$77)
Ineligible Reserve	(165)	(139)	(132)	(168)	(150)	(149)	(173)	(170)	(142)	(142)	(132)	(118)	(126)	(88)	(88)	(79)	(82)	(78)	(77)	(76)	(76)	(75)
GOB Reserve	0	(16)	(24)	(21)	(20)	(84)	(84)	(74)	(79)	(115)	(87)	(45)	(40)	(10)	(9)	(42)	(31)	(28)	(25)	(23)	0	0
Decon to DC	0	0	0	13	14	12	8	8	5	3	6	3	3	5	3	4	3	3	3	3	3	3
SRAC LC In-Transit	10	10	9	8	7	5	6	6	8	4	5	4	4	4	4	6	5	6	6	6	6	6
Total Ineligible Inventory	(\$299)	(\$285)	(\$274)	(\$286)	(\$233)	(\$215)	(\$320)	(\$300)	(\$301)	(\$259)	(\$281)	(\$243)	(\$246)	(\$200)	(\$172)	(\$159)	(\$196)	(\$179)	(\$175)	(\$171)	(\$167)	(\$144)
Net Eligible Inventory	\$2,392	\$2,325	\$2,245	\$2,172	\$2,170	\$2,143	\$1,934	\$1,888	\$1,850	\$1,740	\$1,618	\$1,585	\$1,563	\$1,569	\$1,595	\$1,598	\$1,548	\$1,546	\$1,529	\$1,517	\$1,509	\$1,524
Adj. NOLV %	88.7%	88.7%	87.5%	87.5%	87.5%	87.5%	87.5%	84.7%	84.7%	84.7%	84.7%	81.4%	81.4%	81.4%	81.4%	83.0%	83.0%	83.0%	83.0%	83.0%	83.0%	83.0%
NOLV of Net Eligible Inventory	\$2,121	\$2,062	\$1,964	\$1,900	\$1,899	\$1,875	\$1,692	\$1,599	\$1,567	\$1,473	\$1,370	\$1,291	\$1,264	\$1,277	\$1,298	\$1,327	\$1,285	\$1,283	\$1,269	\$1,259	\$1,253	\$1,265
87.5% Advance Rate	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%	87.5%
NOLV of Net Eligible Inv. Multiplied by 87.5% Advance Rate	\$1,856	\$1,804	\$1,719	\$1,663	\$1,661	\$1,641	\$1,480	\$1,400	\$1,371	\$1,289	\$1,199	\$1,129	\$1,106	\$1,117	\$1,136	\$1,161	\$1,124	\$1,123	\$1,110	\$1,101	\$1,096	\$1,107
Inventory Contribution to Borrowing Base	\$1,856	\$1,804	\$1,719	\$1,663	\$1,661	\$1,641	\$1,480	\$1,400	\$1,371	\$1,289	\$1,199	\$1,129	\$1,106	\$1,117	\$1,136	\$1,161	\$1,124	\$1,123	\$1,110	\$1,101	\$1,096	\$1,107
Other Borrowing Base Components																						
Credit Card Receivables (87.5% Advance Rate)	47	49	51	72	47	60	112	51	61	68	82	50	52	44	43	41	39	40	42	40	36	35
Pharmacy Receivables (87.5% Advance Rate)	9	9	9	9	8	9	9	9	7	7	7	7	9	9	9	9	9	9	9	9	9	9
Availability Reserve	(61)	(59)	(58)	(57)	(60)	(59)	(65)	(63)	(56)	(55)	(53)	(56)	(59)	(59)	(59)	(59)	(59)	(59)	(59)	(59)	(59)	(59)
Carveout Reserve	(46)	(46)	(46)	(62)	(62)	(62)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)
Borrowing Base	\$1,805	\$1,758	\$1,675	\$1,625	\$1,595	\$1,580	\$1,515	\$1,375	\$1,362	\$1,288	\$1,215	\$1,108	\$1,086	\$1,090	\$1,107	\$1,131	\$1,092	\$1,091	\$1,081	\$1,070	\$1,061	\$1,071
Loan to Value %																						
GOLV (Includes CC and Pharmacy Receivables)	79.9%	82.0%	85.8%	83.2%	84.7%	85.0%	69.9%	73.8%	74.6%	73.9%	75.8%	74.5%	76.4%	71.9%	74.5%	77.2%	83.7%	87.2%	87.2%	87.1%	87.0%	87.1%
Total 1L Borrowings (Includes Buyer Financing)	2,185	2,129	2,033	1,992	1,962	1,954	1,830	1,668	1,646	1,559	1,473	1,356	1,333	1,338	1,357	1,384	1,339	1,339	1,327	1,315	1,304	1,316
PF 1L Debt Outstanding	\$165	\$118	\$35	\$85	\$55	\$50	\$322	\$229	\$212	\$211	\$173	\$174	\$143	\$205	\$174	\$142	\$48	\$1	\$0	\$0	\$0	\$0
DIP / ABL	(\$1,640)	(\$1,640)	(\$1,640)	(\$1,540)	(\$1,540)	(\$1,540)	(\$1,193)	(\$1,147)	(\$1,150)	(\$1,077)	(\$1,042)	(\$932)	(\$939)	(\$881)	(\$931)	(\$988)	(\$1,041)	(\$1,087)	(\$1,105)	(\$1,143)	(\$1,200)	(\$1,259)
Holdback	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Buyer Financing	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	29	79	146	192
FILO Pushdown	--	--	--	--	--	--	--	--	--	--	--	--	(2)	(5)	(4)	(1)	--	(3)	(3)	(4)	(5)	(6)
Pro Forma Available to Borrow under ABL	\$165	\$118	\$35	\$85	\$55	\$50	\$322	\$229	\$212	\$211	\$173	\$174	\$143	\$205	\$174	\$142	\$48	\$1	\$0	\$0	\$0	\$0
PF 1L Debt Outstanding	(\$1,640)	(\$1,640)	(\$1,640)	(\$1,540)	(\$1,540)	(\$1,540)	(\$1,193)	(\$1,147)	(\$1,150)	(\$1,077)	(\$1,042)	(\$935)	(\$944)	(\$885)	(\$933)	(\$988)	(\$1,044)	(\$1,090)	(\$1,081)	(\$1,070)	(\$1,061)	(\$1,071)



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Summary Debt Schedule

Retail Month	October			November				December					January				February				March	
Budget Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Actual / Estimate / Forecast	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	EST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	FCST	
Week Ending	10/20/18	10/27/18	11/3/18	11/10/18	11/17/18	11/24/18	12/1/18	12/8/18	12/15/18	12/22/18	12/29/18	1/5/19	1/12/19	1/19/19	1/26/19	2/2/19	2/9/19	2/16/19	2/23/19	3/2/19	3/9/19	3/16/19
Retail Week	201837	201838	201839	201840	201841	201842	201843	201844	201846	201846	201847	201848	201849	201850	201851	201852	201901	201902	201903	201904	201905	201906
Total Senior DIP																						
Senior DIP Term Loan	\$112	\$112	\$112	\$12	\$12	\$12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Senior DIP Revolver	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Senior DIP	\$112	\$112	\$112	\$12	\$12	\$12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Junior DIP																						
Junior DIP Multiple-Draw Term Loan	0	0	0	0	0	0	75	75	75	75	75	175	250	350	350	350	350	350	350	350	350	350
Total Junior DIP	\$0	\$0	\$0	\$0	\$0	\$0	\$75	\$75	\$75	\$75	\$75	\$175	\$250	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
Total 1L ABL																						
Pre-petition ABL Revolver	\$836	\$836	\$836	\$836	\$836	\$836	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Post-petition ABL Revolver	0	0	0	0	0	0	389	343	346	351	316	206	213	155	205	262	315	361	379	417	474	533
Pre-petition Term Loan B	571	571	571	571	571	571	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Post-petition Term Loan B	0	0	0	0	0	0	683	683	683	605	605	605	605	605	605	605	605	605	605	605	605	605
ABL Normal Course LC	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121
Total ABL 1L Credit Outstanding	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,193	\$1,147	\$1,150	\$1,077	\$1,042	\$932	\$939	\$881	\$931	\$988	\$1,041	\$1,087	\$1,106	\$1,143	\$1,200	\$1,259
Buyer Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$29	\$79	\$146	\$192
Other 1L & 1.5L Credit																						
ESU/Ch LC	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271	\$271
FILO	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125
Total Other 1L Credit Outstanding	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396	\$396
Senior Real Estate Debt																						
Cascade Loan	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108
UBS REMC	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102
ESL Real Estate Loan	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723	723
Total 1L Real Estate Debt Outstanding	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933	\$933



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Inventory and Merch AP Roll-Forward

Retail Month	October			November				December					January			
Budget Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Actual / Estimate / Forecast	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCST	FCST	FCST	FCST	FCST
Week Ending	10/20/18	10/27/18	11/3/18	11/10/18	11/17/18	11/24/18	12/1/18	12/8/18	12/15/18	12/22/18	12/29/18	1/5/19	1/12/19	1/19/19	1/26/19	2/2/19
Retail Week	201837	201838	201839	201840	201841	201842	201843	201844	201845	201846	201847	201848	201849	201850	201851	201852

INVENTORY ROLL-FORWARD

Inventory Receipts (Actuals / Forecast)	\$54	\$42	\$61	\$82	\$99	\$75	\$90	\$88	\$75	\$84	\$76	\$69	\$70	\$75	\$62	\$60
LD03000 APPAREL	\$17	\$14	\$14	\$14	\$11	\$8	\$15	\$18	\$11	\$27	\$17	\$20	\$15	\$15	\$13	\$19
LD03020 APPLIANCES	11	8	24	38	48	34	38	28	28	25	24	14	20	21	16	15
LD03030 ELECTRONICS	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
LD03040 SPORTING GOODS	3	2	3	1	2	2	2	4	4	4	4	2	2	3	2	1
LD03050 FOOTWEAR	4	2	3	5	3	1	4	4	2	2	3	4	4	6	3	3
LD03060 JEWELRY	0	0	0	1	1	1	1	1	1	0	0	0	0	0	0	0
LD03070 LAWN & GARDEN	1	0	0	0	4	3	1	4	2	2	2	1	1	2	2	3
LD03080 TOOLS & PAINT	4	3	3	6	9	6	10	7	4	3	5	4	5	6	5	4
LD03090 HOME	2	2	2	3	4	4	4	2	3	1	1	2	1	2	1	1
LD03095 MATTRESS / HOME BIG TICKET	0	0	1	1	3	2	2	1	1	1	1	1	1	1	1	1
LD03097 SEASONAL	1	0	1	1	0	1	1	0	0	0	0	1	0	1	0	0
LD03100 OUTDOOR LIVING	0	0	0	0	0	0	0	0	0	0	1	3	7	2	7	1
LD03110 TOYS	3	2	2	2	6	3	2	3	2	3	2	3	2	3	2	2
LD03120 GROCERY & HOUSEHOLD	1	2	2	4	2	3	2	6	7	6	7	6	4	5	4	3
LD03121 DRUG STORE	1	0	0	0	1	2	2	3	4	5	5	4	2	2	2	3
LD03130 PHARMACY	6	5	5	4	4	4	4	4	3	3	3	2	3	4	3	3
LD03140 AUTO	1	0	0	0	1	0	1	1	1	1	1	0	1	1	0	0
LD03380 STRATEGIC MERCHANDISING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTSU TOTAL SUPPORT UNIT DIVISIONS	1	0	0	1	0	0	1	1	0	0	0	0	0	0	0	0
TOTVFS TOTAL VFS MERCHANT DIVISIONS	\$54	\$42	\$61	\$82	\$99	\$75	\$90	\$88	\$75	\$84	\$76	\$69	\$70	\$75	\$62	\$60

Retail Month	October			November				December					January			
Budget Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Forecast / Actual	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCST	FCST	FCST	FCST	FCST
Week Ending	10/20/18	10/27/18	11/3/18	11/10/18	11/17/18	11/24/18	12/1/18	12/8/18	12/15/18	12/22/18	12/29/18	1/5/19	1/12/19	1/19/19	1/26/19	2/2/19
Retail Week	201837	201838	201839	201840	201841	201842	201843	201844	201845	201846	201847	201848	201849	201850	201851	201852

MERCH AP

Beginning Balance												76	86	91	103	105
Receipts												69	70	75	62	60
Disbursements	(21)	(71)	(52)	(87)	(83)	(80)	(75)	(75)	(96)	(70)	(76)	(58)	(65)	(62)	(60)	(61)
Ending Balance	11	29	30	34	63	59	73	81	72	70	76	86	91	103	105	104
Implied Merch AP Terms					6 days	6 days	7 days	8 days	6 days	6 days	7 days	8 days	9 days	10 days	10 days	10 days

Exhibit G

From: Hwangpo, Natasha <Natasha.Hwangpo@weil.com>
Sent: Friday, January 4, 2019 10:52 AM
To: Ann Reese; Fail, Garrett; bgriffith@miiipartners.com; Descovich, Kaitlin; Danilow, Greg; mmeghji@miiipartners.com; Paul DePodesta; DePodesta, Paul; Basta, Paul M.; bill@transieradvisors.com; Riecker, Rob; Aronson, Daniel; Alan Carr; Dahl, Ryan; Odoner, Ellen; Marcus, Jacqueline; Aebersold, Brandon; levi.quaintance@lazard.com; cgood@miiipartners.com; jboffi@miiipartners.com; Goldinstein, Arkady; Singh, Sunny; Schrock, Ray; Liou, Jessica; Munz, Naomi; cadams@miiipartners.com; Westerman, Gavin; project.blue.rx@lazard.com; Weinberger, Jack; de Gosztanyi, Daniel; Gorbaty, Vladimir; Leblanc, Thibaud; Kaneko, Erika; Sitley, Stephen; Wessel, Paul; Margolis, Steven; Wooten, Jason; Van Groll, Paloma; Lewitt, Alex; Miller, Jeri Leigh; DiDonato, Phil; Yiu, Vincent; Robert Britton (rbritton@paulweiss.com); Cornish, Kelley A; Valentino, Luke; ktanaka@miiipartners.com; Grossi, Nick; Sukumar, Ajith; Kamel, Jonathan; Matican, Jeremy; miiipartners.com,sima; jfrantz@miiipartners.com; nzatzkin@miiipartners.com; wgallagher@miiipartners.com; Borden, Jane; nweber@miiipartners.com; Stogsdill, Dennis; Patkar, Sid
Subject: Sears: Restructuring Committee Meeting Materials
Attachments: 2019.01.03 ESL Updated Bid_Sources & Uses_v6.pdf

Enterprise Security Team Alert: This email originated from outside of the organization. Please use caution when opening messages from external sources.

Members of the Restructuring Committee,

In advance of this afternoon's meeting, please see the attached an updated sources & uses.

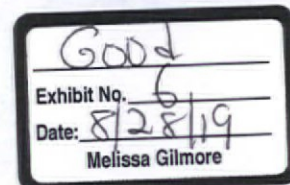
Please let us know if you have any questions.

Regards,

Weil

Natasha S. Hwangpo

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PRIVILEGED AND CONFIDENTIAL
PREPARED AT THE REQUEST OF COUNSEL - SUBJECT TO MATERIAL CHANGE

CONFIDENTIAL

3 JANUARY 2019

DISCUSSION MATERIALS

Project Blue

PROJECT BLUE

(\$ in millions)

- Assumes \$150 million of cure costs
- Assumes no minimum distribution to GUCs
- A bridge comparing the updated shortfall to the previous analysis (presented on 1/2/2019) is provided on the following page

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PRELIMINARY DRAFT – SUBJECT TO MATERIAL CHANGE

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PROJECT BLUE

Shortfall Bridge

(\$ in millions)

The following table outlines revisions to the sources and uses analysis incorporating the revised ESL offer as well as other feedback from the Committee and its advisors

Shortfall Bridge		Notes
Starting Shortfall (1/2/2019)	(\$284)	Estimated shortfall as of 1/2/19 excluding required cure cost payments and recovery for unsecureds
<u>Adjustments to Sources</u>		
Assumed AP	\$125	Increased sources based on ESL offer to assume up to \$125 million of AP
Assumed Property Taxes	100	Increased sources based on ESL offer to assume property tax liability related to acquired properties (estimated to be \$100 million)
Carve-out Account	95	Includes projected balance in segregated account for payment of professional fees at closing.
Deposit Cash	10	Includes expected release of \$10 million utility deposits at closing
Other Adjustments	(18)	Reflects reduction in estimated proceeds to account for fees, NWC adjustments and allocation to secured lenders
Total Adjustments to Sources	\$312	
<u>Adjustments to Uses</u>		
Reduced Expected DIP Balance	\$74	Assumes Company is able to manage DIP balance to \$950 million (level expected by ESL) vs. \$1,023 million in DIP budget
Expected Professional Fees	(102)	Includes expected professional fees payable at emergence (netted against professional fee carve-out in prior iterations)
Total Adjustments to Uses	(\$29)	
Shortfall (1/3/2019)	(\$1)	Estimated shortfall incorporating adjustments, but excluding required cure cost payments and minimum recovery for unsecureds
<u>Cure Adjustments</u>		
Cure Costs Estimate	(\$150)	Illustrative cure costs (compares to \$180 million cure costs net of 503(b)(9) claims assuming all contracts assumed)
Revised Shortfall (1/3/2019)	(\$151)	Revised shortfall including ESL bid adjustments and including required cure cost payments; excludes GUC recovery

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Appendix

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LAZARD

Footnotes to Sources & Uses

1. ESL APA draft contemplates that protection agreements will not be assumed unless reaffirmed by customers. We have assumed that this restriction is dropped by ESL for purposes of this analysis.
2. Under ESL proposal, assumed accounts payable requires agreement to new extended terms by vendors. We have assumed this restriction is dropped by ESL for purposes of this analysis.
3. Based on Company projections of available cash in regional banks at 2/1/19 close; amount fluctuates. Also assumes ESL contractually agrees to leave balance with estate. Also includes \$10 million utility deposits expected to be released at emergence.
4. As required by the DIP order, the Company maintains a segregated account sufficient to cover accrued professional fees and the pipeline of expected fees. Current projected balance at close is \$95 million.
5. Assumes Company is able to manage down its ABL balance to be in line with ~\$950 assumed by ESL (balance before paydown from cash in regional banks).
6. Per ESL break out of FILO/Second lien credit bid.
7. Assumes NewCo takes all protection agreements; for purposes of this analysis we have assumed that ESL drops its requirement that protection agreement counterparties reaffirm their claim within a certain time period.
8. Per Company analysis of administrative claims.
9. Estimate based on prior ESL discussions.
10. NewCo real estate debt assumed to pay down new ABL facility.
11. Per Company analysis.
12. \$150 million cure cost based on Deloitte net cure cost estimate of \$180 million, which amount is net of 503(b)(9) claims already included in admin cost analysis. Assumes that ESL only assumes a subset of the contracts.

Exhibit H

**DRAFT – FOR DISCUSSION PURPOSES ONLY
PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408**

Project Blue

Weekly Flash Report

(DIP Budget Week 12)

January 9, 2019



Week 12 - Actuals For Rolling 4 Weeks

Cash Variance to Budget	Week 45 - Budget Week 9 12/9/18 - 12/15/18			Week 46 - Budget Week 10 12/17/18 - 12/22/18			Week 47 - Budget Week 11 12/23/18 - 12/29/18			Week 48 - Budget Week 12 12/30/18 - 1/5/19			Weeks 45 - 48 12/9/18 - 1/5/19		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$200	\$251	\$51	\$193	\$249	\$56	\$215	\$229	\$14	\$259	\$186	(\$73)	\$867	\$914	\$48
Merch Vendors	(95)	(96)	(2)	(85)	(72)	14	(51)	(55)	(4)	(53)	(58)	(5)	(284)	(281)	3
Rent/Occupancy	(10)	(33)	(24)	(1)	(1)	(0)	(1)	0	1	(1)	0	1	(13)	(35)	(21)
Payroll/Bens/Taxes	(60)	(56)	5	(32)	(33)	(2)	(58)	(53)	5	(31)	(59)	(28)	(180)	(201)	(21)
Other SG&A Disbursements	(64)	(50)	13	(76)	(57)	19	(76)	(45)	31	(72)	(38)	34	(288)	(191)	97
Total Operating Disbursements	(228)	(236)	(7)	(194)	(163)	31	(185)	(152)	33	(157)	(156)	1	(766)	(707)	58
CapEx	(1)	(2)	(1)	(1)	(1)	(0)	(1)	(0)	1	(1)	(1)	0	(4)	(4)	(0)
Total Operating Cash Flow	(\$30)	\$13	\$43	(\$2)	\$84	\$87	\$29	\$76	\$48	\$101	\$30	(\$71)	\$97	\$203	\$106
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Day 1 Critical Vendor Motion	(10)	0	10	(10)	(5)	6	(10)	0	10	(3)	(3)	0	(33)	(7)	26
Insurance	0	0	0	(4)	0	4	0	0	0	0	0	0	(4)	0	4
Gift Card Redemptions	(1)	1	1	(1)	1	1	(1)	1	1	(1)	1	1	(4)	1	4
KEIP / KERP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Card Holdbacks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PTO	(1)	0	1	(1)	0	1	(1)	0	1	(1)	0	1	(3)	0	3
Post-Petition TSA/CSA	(1)	1	1	0	0	0	(1)	1	1	0	0	0	(2)	0	2
Bankruptcy Related Disbursements	(\$13)	\$0	\$13	(\$16)	(\$5)	\$12	(\$13)	\$0	\$13	(\$5)	(\$3)	\$2	(\$46)	(\$7)	\$39
Cash Interest	(\$3)	\$0	\$3	(\$4)	\$0	\$4	(\$4)	\$0	\$4	(\$5)	(\$3)	\$1	(\$16)	(\$3)	\$13
Financing Fees	(4)	(0)	3	(3)	(0)	3	0	(0)	(0)	0	(3)	(3)	(7)	(4)	3
Professional Fees	0	(1)	(1)	0	(2)	(2)	0	0	0	(14)	(10)	3	(14)	(13)	1
Intercompany Inflows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Non-Operating Disbursements	(\$7)	(\$1)	\$6	(\$7)	(\$2)	\$5	(\$4)	(\$0)	\$4	(\$18)	(\$17)	\$2	(\$37)	(\$20)	\$17
Net Cash Flows before Financing	(\$50)	\$12	\$62	(\$25)	\$78	\$104	\$11	\$76	\$65	\$78	\$10	(\$67)	\$14	\$176	\$163
Financing	\$50	(\$1)	(\$51)	\$25	(\$72)	(\$98)	(\$11)	(\$35)	(\$24)	(\$78)	(\$49)	\$29	(14)	(157)	(\$143)
Net Cash Flow	\$0	\$11	\$11	\$0	\$6	\$6	\$0	\$41	\$41	\$0	(\$38)	(\$38)	(\$0)	\$19	\$19
Beginning Cash	\$0	\$6	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$35	\$34	\$0	\$6	\$6
Cash Flow Before Financing	(50)	12	62	(25)	78	104	11	76	65	78	10	(67)	14	176	163
Financing	50	(1)	(51)	25	(72)	(98)	(11)	(35)	(24)	(78)	(49)	29	(14)	(157)	(143)
Change in Carveout Account	0	(16)	(16)	0	(7)	(7)	0	(6)	(6)	0	4	4	0	(25)	(25)
Ending Available Cash Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$35	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Week 12 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 12 same store sales (go-forward stores) were negative (15.8%) for FLS and (10.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.6%)
- Receipts had a large negative variance because the budget attributed Holiday related inflows to the week which actualized in the previous week
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$58mm on post-petition merchandise disbursements in week 12 which is above the forecast disbursements by ~\$5mm
- The Company made \$3mm in critical vendor payments during the week
- Other SG&A Disbursements of \$38mm was below the weekly budgeted amount of \$72mm
 - The \$38mm of the Other SG&A Disbursements includes \$1.9mm of payments for Home Services and builder distributors customer orders, \$8.1mm in transportation and logistics vendor payments, \$3.1mm in advertising payments, and \$1.2mm to fund Sears Home Improvement
- The Company paid \$3mm of interest during the week and \$3mm of financing fees
- The Company paid 14 professional firms an aggregate of \$10mm during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 9-12 of the proceeding equaled \$176mm, which is well above the budgeted (\$14mm)

Week 11 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 11 same store sales (go-forward stores) were negative (7.4%) for FLS and 4.0% for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (2.5%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$55mm on post-petition merchandise disbursements in week 11 which is above the forecast disbursements by ~\$4mm
- The Company made no critical vendor payments during the week
- Other SG&A Disbursements of \$45mm was below the weekly budgeted amount of \$76mm
 - The \$45mm of the Other SG&A Disbursements includes \$2.3mm of payments for Home Services and builder distributors customer orders, \$8.6mm in transportation and logistics vendor payments, \$1.7mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- No professional fees were paid during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 8-11 of the proceeding equaled \$212mm, which is well above the budgeted (\$156mm)
- The Company ended the week with a \$35mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday and the Company borrowed \$24mm for an insurance payment it did not pay on Friday
 - The Company made the insurance payment and all remaining cash was swept to Bank of America the next business day

Week 10 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 10 same store sales (go-forward stores) were negative (26.9%) for FLS and negative (26.6%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (26.8%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$72mm on post-petition merchandise disbursements in week 10 which is below the forecast disbursements by ~\$14mm
- The Company paid \$4.5mm in critical vendor payments during the week
- Other SG&A Disbursements of \$57mm was below the weekly budgeted amount of \$76mm
 - The \$57mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$11.1mm in transportation and logistics vendor payments, \$3.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.1mm of financing fees
- \$1.5mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 7-10 of the proceeding equaled \$228mm, which is well above the budgeted (\$155mm)

Week 9 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18 and the report does not include weeks that were compared against the Initial Approved Budget (week 41 and prior weeks)

Receipts

- Week 9 same store sales (go-forward stores) were negative (24.1%) for FLS and negative (22.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (23.4%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$96mm on post-petition merchandise disbursements in week 9 which is slightly higher than the forecast disbursement
- The Company made no critical vendor payments in this week
- The Rent/Occupancy expense negative variance is due to timing as an insignificant amount of rent was disbursed in week 8
- Other SG&A Disbursements of \$50mm was below the weekly budgeted amount of \$64mm
 - The \$50mm of the Other SG&A Disbursements includes \$3.5mm of payments for Home Services and builder distributors customer orders, \$14.6mm in transportation and logistics vendor payments, \$2.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- \$0.8mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 6-9 of the proceeding equaled \$165mm, which is well above the budgeted (\$192mm)

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 9-12	
Vendor	Disbursements
Home Services	\$35.0
Whirlpool	31.9
LG HA	18.8
EMA	15.7
Cardinal Health	15.2
Winiadaewoo Electronics	14.6
Samsung	7.8
P&G	5.7
MTD	5.0
Wolverine Worldwide	4.1
Sealy Mattress Company	4.1
VF Jeanswear Limited	4.0
Hanesbrands	3.9
Icon	2.9
Waterloo Industries	2.5
Serta Simmons	2.1
Kimberly Clark	1.9
Chamberlain Manufacturing	1.8
Timberland	1.7
American Greeting Co	1.7
Top 20 Post-petition Vendors	\$180.5
(+) Other	100.2
Total Post-petition Merchandise Disbursements	\$280.7

- The Company made ~\$281mm in payments for post-petition merchandise during budget weeks 9-12
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$135mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 9	Week 10	Week 11	Week 12	Total	
BofA Checks	\$ (7.4)	\$ (5.9)	\$ (4.9)	\$ (6.9)	\$ (25.0)	Issued checks, primarily tax payments
Internal / Other Margin	(6.6)	(3.3)	(3.5)	(3.2)	(16.6)	Home Services logistics and certain contractor payments
Utilities & Telephone	(3.7)	(4.4)	(3.9)	(3.6)	(15.5)	
Outside/Associate/Consulting	(3.0)	(4.6)	(4.4)	(2.0)	(14.0)	Temporary labor
Advertising Expense	(2.6)	(3.6)	(1.7)	(3.1)	(10.9)	
Non-Merch COGS	(1.7)	(2.2)	(2.0)	(2.2)	(8.0)	Licensed businesses including Sears Optical
Equipment Expenses	(1.4)	(5.2)	(3.1)	(3.2)	(12.8)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(3.5)	(2.8)	(2.3)	(1.9)	(10.4)	Franchise and builder distributor appliance network funding
Logistics	(7.4)	(4.7)	(3.6)	(3.9)	(19.6)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(0.0)	(3.2)	(4.7)	(1.5)	(9.4)	
SHP Checks	(2.2)	(2.2)	(2.4)	(1.2)	(7.9)	Funding for Sear Home Improvement
Occupancy Repairs	(0.8)	(0.8)	(0.9)	(1.1)	(3.5)	Building maintenance expense
CheckFreePay	(0.9)	(0.8)	(0.6)	(0.9)	(3.2)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.5)	(1.4)	(1.0)	(1.1)	(4.9)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	(0.5)	(0.4)	-	-	(0.9)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.3)	(0.4)	(0.4)	(0.3)	(1.3)	Shipping expenses
Insurance Exp	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	
BS Adjustment - AP	0.3	(0.0)	(0.3)	1.1	1.1	Cash received or paid for reconciliation of vendor inventory receipts
Display Expense	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	
CARPACH	(7.2)	(6.4)	(5.0)	(4.2)	(22.8)	Payments to intermodal logistics vendors
P-Card	-	(5.0)	-	-	(5.0)	Employee procurement credit card payments
India/Israel/GS	-	(0.2)	-	-	(0.2)	Funding for foreign offices
Other SG&A Disbursements	\$ (50.4)	\$ (57.4)	\$ (44.8)	\$ (38.5)	\$ (191.1)	

Exhibit I

DRAFT – FOR DISCUSSION PURPOSES ONLY
PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408

Project Blue

Weekly Flash Report

(DIP Budget Week 13)

January 16, 2019



sears

kmart

SHOP YOUR WAY®

Week 13 - Actuals For Rolling 4 Weeks

Cash Variance to Budget	Week 46 - Budget Week 10 Budget: 11/21 DIP Budget 12/16/18 - 12/22/18 Budget Actual Variance			Week 47 - Budget Week 11 Budget: 11/21 DIP Budget 12/23/18 - 12/29/18 Budget Actual Variance			Week 48 - Budget Week 12 Budget: 11/21 DIP Budget 12/30/18 - 1/5/19 Budget Actual Variance			Week 49 - Budget Week 13 Budget: 1/11 DIP Budget 1/6/19 - 1/12/19 Budget Actual Variance			Weeks 46 - 49 12/17/18 - 1/13/19 Budget Actual Variance		
Total Operating Receipts	\$193	\$249	\$56	\$215	\$229	\$14	\$259	\$186	(\$73)	\$153	\$175	\$22	\$820	\$839	\$19
Merch Vendors	(85)	(72)	14	(51)	(55)	(4)	(53)	(58)	(5)	(67)	(64)	3	(256)	(248)	8
Rent/Occupancy	(1)	(1)	(0)	(1)	0	1	(1)	0	1	(30)	(34)	(4)	(34)	(36)	(2)
Payroll/Bens/Taxes	(32)	(33)	(2)	(58)	(53)	5	(31)	(59)	(28)	(48)	(49)	(1)	(169)	(195)	(26)
Other SG&A Disbursements	(76)	(57)	19	(76)	(45)	31	(72)	(38)	34	(44)	(54)	(9)	(268)	(194)	74
Total Operating Disbursements	(194)	(163)	31	(185)	(152)	33	(157)	(156)	1	(190)	(202)	(11)	(728)	(673)	55
CapEx	(1)	(1)	(0)	(1)	(0)	1	(1)	(1)	0	(1)	(0)	1	(4)	(2)	2
Total Operating Cash Flow	(\$2)	\$84	\$87	\$29	\$76	\$48	\$101	\$30	(\$71)	(\$38)	(\$27)	\$12	\$89	\$164	\$75
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Day 1 Critical Vendor Motion	(10)	(5)	6	(10)	0	10	(3)	(3)	0	(10)	0	10	(33)	(7)	26
Insurance	(4)	0	4	0	0	0	0	0	0	(4)	0	4	(9)	0	9
Gift Card Redemptions	(1)	1	1	(1)	1	1	(1)	1	1	0	0	0	(3)	0	3
KEIP / KERP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Card Holdbacks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PTO	(1)	0	1	(1)	0	1	(1)	0	1	(5)	0	5	(7)	0	7
Post-Petition TSA/CSA	0	0	0	(1)	1	1	0	0	0	0	0	0	(1)	1	1
Bankruptcy Related Disbursements	(\$16)	(\$5)	\$12	(\$13)	\$0	\$13	(\$5)	(\$3)	\$2	(\$19)	\$0	\$19	(\$53)	(\$7)	\$46
Cash Interest	(\$4)	\$0	\$4	(\$4)	\$0	\$4	(\$5)	(\$3)	\$1	(\$3)	(\$13)	(\$10)	(\$16)	(\$16)	\$0
Financing Fees	(3)	(0)	3	0	(0)	(0)	0	(3)	(3)	(0)	(2)	(2)	(3)	(6)	(3)
Professional Fees	0	(2)	(2)	0	0	0	(14)	(10)	3	0	0	0	(14)	(12)	2
Intercompany Inflows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Non-Operating Disbursements	(\$7)	(\$2)	\$5	(\$4)	(\$0)	\$4	(\$18)	(\$17)	\$2	(\$3)	(\$15)	(\$12)	(\$33)	(\$33)	(\$1)
Net Cash Flows before Financing	(\$25)	\$78	\$104	\$11	\$76	\$65	\$78	\$10	(\$67)	(\$61)	(\$41)	\$19	\$3	\$123	\$120
Financing	\$25	(\$72)	(\$98)	(\$11)	(\$35)	(\$24)	(\$78)	(\$49)	\$29	\$61	\$60	(\$1)	(3)	(96)	(\$93)
Net Cash Flow	\$0	\$6	\$6	\$0	\$41	\$41	\$0	(\$38)	(\$38)	\$0	\$18	\$18	\$0	\$27	\$27
Beginning Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$35	\$34	\$0	\$0	(\$0)	\$0	\$0	\$0
Cash Flow Before Financing	(25)	78	104	11	76	65	78	10	(67)	(61)	(\$41)	19	3	123	120
Financing	25	(72)	(98)	(11)	(35)	(24)	(78)	(49)	29	61	\$60	(1)	(3)	(96)	(93)
Change in Carveout Account	0	(7)	(7)	0	(6)	(6)	0	4	4	0	(12)	(12)	0	(21)	(21)
Ending Available Cash Balance	\$0	\$0	\$0	\$0	\$35	\$0	\$0	\$0	\$0	\$0	\$7	\$0	\$0	\$7	\$7

Week 13 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 13 same store sales (go-forward stores) were negative (16.6%) for FLS and (12.1%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (14.9%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$64mm on post-petition merchandise disbursements in week 13 which is below the forecast disbursements by ~\$3mm
- The Company made no critical vendor payments this week
- Other SG&A Disbursements of \$54mm was above the weekly budgeted amount of \$44mm
 - The \$54mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$6.7mm in transportation and logistics vendor payments, \$2.5mm in advertising payments, and \$1.9mm to fund Sears Home Improvement
- The Company paid \$13mm of interest during the week and \$2mm of financing fees
- The Company paid no professional fees during the week

Financing

- The Company drew \$100mm on the Jr. DIP to fund operations and pay down \$40mm of the outstanding Sr. DIP ABL Revolver

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 10-13 of the proceeding equaled \$123mm, which is well above the budgeted \$3mm
- The Company ended the week with a \$7mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The remaining cash was swept to Bank of America the next business day

Week 12 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 12 same store sales (go-forward stores) were negative (15.8%) for FLS and (10.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.6%)
- Receipts had a large negative variance because the budget attributed Holiday related inflows to the week which actualized in the previous week
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$58mm on post-petition merchandise disbursements in week 12 which is above the forecast disbursements by ~\$5mm
- The Company made \$3mm in critical vendor payments during the week
- Other SG&A Disbursements of \$38mm was below the weekly budgeted amount of \$72mm
 - The \$38mm of the Other SG&A Disbursements includes \$1.9mm of payments for Home Services and builder distributors customer orders, \$8.1mm in transportation and logistics vendor payments, \$3.1mm in advertising payments, and \$1.2mm to fund Sears Home Improvement
- The Company paid \$3mm of interest during the week and \$3mm of financing fees
- The Company paid 14 professional firms an aggregate of \$10mm during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 9-12 of the proceeding equaled \$176mm, which is well above the budgeted (\$14mm)

Week 11 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 11 same store sales (go-forward stores) were negative (7.4%) for FLS and 4.0% for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (2.5%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$55mm on post-petition merchandise disbursements in week 11 which is above the forecast disbursements by ~\$4mm
- The Company made no critical vendor payments during the week
- Other SG&A Disbursements of \$45mm was below the weekly budgeted amount of \$76mm
 - The \$45mm of the Other SG&A Disbursements includes \$2.3mm of payments for Home Services and builder distributors customer orders, \$8.6mm in transportation and logistics vendor payments, \$1.7mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- No professional fees were paid during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 8-11 of the proceeding equaled \$212mm, which is well above the budgeted (\$156mm)
- The Company ended the week with a \$35mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday and the Company borrowed \$24mm for an insurance payment it did not pay on Friday
 - The Company made the insurance payment and all remaining cash was swept to Bank of America the next business day

Week 10 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 10 same store sales (go-forward stores) were negative (26.9%) for FLS and negative (26.6%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (26.8%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$72mm on post-petition merchandise disbursements in week 10 which is below the forecast disbursements by ~\$14mm
- The Company paid \$4.5mm in critical vendor payments during the week
- Other SG&A Disbursements of \$57mm was below the weekly budgeted amount of \$76mm
 - The \$57mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$11.1mm in transportation and logistics vendor payments, \$3.6mm in advertising payments, and \$2.2mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.1mm of financing fees
- \$1.5mm was paid to M-III for professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 7-10 of the proceeding equaled \$228mm, which is well above the budgeted (\$155mm)

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 10-13	
Vendor	Disbursements
Home Services	\$33.5
Whirlpool	22.7
Cardinal Health	16.6
LG HA	16.0
EMA	14.2
Winiadaewoo Electronics	10.6
Samsung	6.3
P&G	5.0
VF Jeanswear Limited	4.0
Hanesbrands	3.9
MTD	3.8
Sealy Mattress Company	3.8
Wolverine Worldwide	3.3
Waterloo Industries	2.8
Icon	2.7
Serta Simmons	1.9
Levi	1.6
Combine International	1.5
American Greeting Co	1.4
Chamberlain Manufacturing	1.4
Top 20 Post-petition Vendors	\$156.9
(+) Other	91.4
Total Post-petition Merchandise Disbursements	\$248.3

- The Company made ~\$248mm in payments for post-petition merchandise during budget weeks 10-13
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$124mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 10	Week 11	Week 12	Week 13	Total	
BofA Checks	\$ (5.9)	\$ (4.9)	\$ (6.9)	\$ (7.1)	\$ (24.7)	Issued checks, primarily tax payments
Internal / Other Margin	(3.3)	(3.5)	(3.2)	(2.7)	(12.6)	Home Services logistics and certain contractor payments
Utilities & Telephone	(4.4)	(3.9)	(3.6)	(6.1)	(17.9)	
Outside/Associate/Consulting	(4.6)	(4.4)	(2.0)	(6.7)	(17.7)	Temporary labor
Advertising Expense	(3.6)	(1.7)	(3.1)	(2.5)	(10.8)	
Non-Merch COGS	(2.2)	(2.0)	(2.2)	(2.1)	(8.4)	Licensed businesses including Sears Optical
Equipment Expenses	(5.2)	(3.1)	(3.2)	(4.2)	(15.6)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(2.8)	(2.3)	(1.9)	(2.8)	(9.8)	Franchise and builder distributor appliance network funding
Logistics	(4.7)	(3.6)	(3.9)	(2.0)	(14.2)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(3.2)	(4.7)	(1.5)	(2.6)	(12.0)	
SHP Checks	(2.2)	(2.4)	(1.2)	(1.9)	(7.7)	Funding for Sear Home Improvement
Occupancy Repairs	(0.8)	(0.9)	(1.1)	(0.9)	(3.6)	Building maintenance expense
CheckFreePay	(0.8)	(0.6)	(0.9)	(1.4)	(3.7)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.4)	(1.0)	(1.1)	(1.1)	(4.5)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	(0.4)	-	-	(0.5)	(0.9)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.4)	(0.4)	(0.3)	(0.4)	(1.5)	Shipping expenses
Insurance Exp	(0.1)	(0.1)	(0.1)	(0.3)	(0.5)	
BS Adjustment - AP	(0.0)	(0.3)	1.1	0.1	0.9	Cash received or paid for reconciliation of vendor inventory receipts
Display Expense	(0.0)	(0.0)	(0.1)	-	(0.1)	
CARPACH	(6.4)	(5.0)	(4.2)	(4.7)	(20.3)	Payments to intermodal logistics vendors
P-Card	(5.0)	-	-	(3.9)	(8.9)	Employee procurement credit card payments
India/Israel/GS	(0.2)	-	-	-	(0.2)	Funding for foreign offices
Other SG&A Disbursements	\$ (57.4)	\$ (44.8)	\$ (38.5)	\$ (53.7)	\$ (194.3)	

Exhibit J

From: Van Groll, Paloma <Paloma.VanGroll@weil.com>
Sent: Wednesday, January 16, 2019 3:55 PM
To: Ann Reese; Alan Carr; DePodesta, Paul; Paul DePodesta; bill@transieradvisors.com
Cc: Baker, Devin; Skrzynski, Matthew; Matican, Jeremy; Goldinstein, Arkady; DiDonato, Phil; mmeghji@miiipartners.com; levi.quaintance@lazard.com; jboffi@miiipartners.com; Schrock, Ray; Kaneko, Erika; Weinberger, Jack; miiipartners.com,sima; Stogsdill, Dennis; Lewitt, Alex; nzatzkin@miiipartners.com; Fail, Garrett; Patkar, Sid; Singh, Sunny; Margolis, Steven; Basta, Paul M.; Aronson, Daniel; Danilow, Greg; Valentino, Luke; Sukumar, Ajith; Leblanc, Thibaud; nweber@miiipartners.com; Cornish, Kelley A; Wessel, Paul; Wooten, Jason; Yiu, Vincent; Marcus, Jacqueline; wgallagher@miiipartners.com; Aebersold, Brandon; Dahl, Ryan; Gorbaty, Vladimir; Westerman, Gavin; Miller, Jeri Leigh; Hwangpo, Natasha; Sitley, Stephen; de Gosztanyi, Daniel; Robert Britton (rbritton@paulweiss.com); ktanaka@miiipartners.com; project.blue.rx@lazard.com; Liou, Jessica; cadams@miiipartners.com; Munz, Naomi; Riecker, Rob; Kamel, Jonathan; eacevedo@miiipartners.com; Grossi, Nick; bgriffith@miiipartners.com; cgood@miiipartners.com; Odoner, Ellen; jfrantz@miiipartners.com; Borden, Jane; Descovich, Kaitlin; Daniel Allan; Friedmann, Jared; Mishkin, Jessie; Genender, Paul
Subject: RE: Project Blue: Restructuring Committee Call
Attachments: 2019.01.15 ESL Bid_Value Required.pdf

Enterprise Security Team Alert: This email originated from outside of the organization. Please use caution when opening messages from external sources.

Members of the Restructuring Committee,

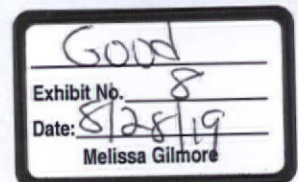
Please find attached a revised draft of the ESL deal analysis deck.

Thank you,

Weil

Paloma van Groll

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Paloma.VanGroll@weil.com
+1 212 310 8668 Direct



-----Original Appointment-----

From: Skrzynski, Matthew <Matthew.Skrzynski@weil.com>
Sent: Thursday, January 3, 2019 7:54 PM
To: Skrzynski, Matthew; Matican, Jeremy; Goldinstein, Arkady; DiDonato, Phil; mmeghji@miiipartners.com; levi.quaintance@lazard.com; jboffi@miiipartners.com; Schrock, Ray; Kaneko, Erika; Weinberger, Jack; wsima@miiipartners.com; Ann Reese; Stogsdill, Dennis; Alan Carr; Lewitt, Alex; nzatzkin@miiipartners.com; Fail, Garrett; DePodesta, Paul; Patkar, Sid; Singh, Sunny; Margolis, Steven; Basta, Paul M.; Aronson, Daniel; Danilow, Greg;

Valentino, Luke; Sukumar, Ajith; Leblanc, Thibaud; Nicholas Weber; bill@transieradvisors.com; Cornish, Kelley A; Wessel, Paul; Wooten, Jason; Yiu, Vincent; Marcus, Jacqueline; wgallagher@miiipartners.com; Aebersold, Brandon; Dahl, Ryan; Gorbaty, Vladimir; Westerman, Gavin; Miller, Jeri Leigh; Hwangpo, Natasha; Sitley, Stephen; de Gosztanyi, Daniel; Van Groll, Paloma; Robert Britton (rbritton@paulweiss.com); ktanaka@miiipartners.com; Paul DePodesta; project.blue.rx@lazard.com; Liou, Jessica; cadams@miiipartners.com; Munz, Naomi; Riecker, Rob; Kamel, Jonathan; Eacevedo@miiipartners.com; Grossi, Nick; bgriffith@miiipartners.com; cgood@miiipartners.com; Odoner, Ellen; jfrantz@miiipartners.com; Jane S. Borden; Descovich, Kaitlin; Daniel Allan

Cc: Baker, Devin

Subject: Project Blue: Restructuring Committee Call

When: Wednesday, January 16, 2019 6:00 PM-7:00 PM (UTC-05:00) Eastern Time (US & Canada).

Where: Dial-in 888.235.7501,,2123108639#

Domestic

Dial in: 1-888-235-7501

Passcode: 212-310-8639#

International

Dial in: 1-206-445-0084

Passcode: 212-310-8639#

Mobile 888.235.7501,,2123108639#

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16 JANUARY 2019

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DISCUSSION MATERIALS

Project Blue

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PROJECT BLUE

Additional Value Required

(\$ in millions)

The following summarizes the administrative and other priority claims based on M-III claim schedule and the proposed ask of ESL, sources of value available to address these claims and the incremental value required (other than for settlement and release)

Admin & Other Priority Claims Uses of Value		Less: ESL Value [1]	Remaining Claims	Additional Value Required after Application of Other Sources of Value	
Admin				Additional Value Required	\$356
503(b)(9)	\$173	(\$139)	\$34	Less: Company Cash Available at Close [5]	(50)
Accounts Payable	196	(166)	30	Less: Company Cash Available Post Close [5]	(29)
Severance & WARN	20	(20)	--	Less: Professional Fee Carve-out Account	(108)
Employee Claims	8	(8)	--	Less: MTN Sale Proceeds	(81)
Franchise Taxes	3	--	3	Less: U-Haul Sale Proceeds	(7)
Property Taxes [4]	135	(134)	1	Less: Insurance Proceeds	(13)
RemainCo Winddown Costs	80	--	80	Less: SHIP Security Deposit	(6)
Total Admin	\$615	(\$467)	\$148	Pro Forma Additional Value Required [2]	\$62
Other				Memo:	
ABL DIP	\$950	(\$850)	\$100	KCD Royalties [3]	\$112
Junior DIP	350	(350)	--	Adjusted Pro Forma Additional Value Required	\$173
Professional Fees	108	--	108		
Cure Costs	200	(200)	--		
Transfer Taxes (Purchase Price Deduction)	19	(19)	--	Memo: Required Deposit	\$120
Mechanics' Liens (Purchase Price Deduction)	4	(4)	--		
Expense Reimbursement (Purchase Price Deduction)	--	--	--		
DIP Floor Adjustment (Purchase Price Deduction)	--	--	--		
UCC Release Cash Consideration	35	(35)	--		
Total Other	\$1,665	(\$1,458)	\$207		
Total	\$2,281	(\$1,925)	\$356		

Source: M-III projection of administrative and other priority claims; ESL proposal.

Note: Does not include any required payments on account of releases other than for credit bid.


1. Includes value provided by ESL via assumption of liabilities and/or debt paydown.

2. Requested Administrative Claim Backstop does not include amounts necessary for settlement and release but is inclusive of Restructuring Subcommittee support for Court order to allow ESL to credit bid claims included in ESL bid.

3. Assumes \$112 million of post-petition royalties owed to KCD based on preliminary and ongoing analysis conducted by M-III; figures subject to change.

4. Property Taxes estimate is preliminary and subject to further review.

5. Company cash assumed to include \$50 million available at close and \$29 million available post close. Additional detail in appendix.

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PROJECT BLUE

Additional Value Required – Illustrative Allocation

(\$ in millions)

The following summarizes the administrative and other priority claims based on the M-III claim schedule and the ESL bid, sources of value available to address these claims and the incremental value required (other than for settlement and release)

- For illustrative purposes, the schedule below allocates available sources of value to specific claims based on restrictions on the use of each asset
 - Allocation of cash and winddown reserve amounts is purely illustrative

Admin & Other Priority Claims	Less: ESL Value [1]	Remaining Claims	Allocation of Other Sources [2]			Remaining Claims / (Surplus)	
			Cash at Close [6]	Carve Out	Winddown & Other [3]		
<u>Admin</u>							
503(b)(9)	\$173	(\$139)	\$34	\$--	\$--	(\$34)	\$--
Accounts Payable	196	(166)	30	--	--	(30)	--
Severance & WARN	20	(20)	--	--	--	--	--
Employee Claims	8	(8)	--	--	--	--	--
Franchise Taxes	3	--	3	--	--	(3)	--
Property Taxes [4]	135	(134)	1	--	--	(1)	--
RemainCo Winddown Costs	80	--	80	--	--	(68)	12
Total Admin	\$615	(\$467)	\$148	\$--	\$--	(\$136)	\$12
<u>Other</u>							
ABL DIP [2]	\$950	(\$850)	\$100	(\$50)	\$--	\$--	\$50
Junior DIP	350	(350)	--	--	--	--	--
Professional Fees	108	--	108	--	(108)	--	--
Cure Costs	200	(200)	--	--	--	--	--
Transfer Taxes (Purchase Price Deduction)	--	--	--	--	--	--	--
Mechanics' Liens (Purchase Price Deduction)	--	--	--	--	--	--	--
Expense Reimbursement (Purchase Price Deduction)	--	--	--	--	--	--	--
DIP Floor Adjustment (Purchase Price Deduction)	--	--	--	--	--	--	--
UCC Release Cash Consideration	35	(35)	--	--	--	--	--
Total Other	\$1,642	(\$1,435)	\$207	(\$50)	(\$108)	\$--	\$50
Total	\$2,258	(\$1,902)	\$356	(\$50)	(\$108)	(\$136)	\$62
Memo: Total Incl. KCD Claim (\$112 mm) [5]	\$2,369	(\$1,902)	\$467	(\$50)	(\$108)	(\$136)	\$173

Source: M-III projection of administrative and other priority claims; ESL proposal.

Note: Does not include any required payments on account of releases other than for credit bid.

1. Includes value provided by ESL via assumption of liabilities and/or debt paydown.

2. ABL DIP balance assumed to be \$950 at close.

3. Allocation of Winddown Reserve amount is illustrative. Other includes sources of value available post-closing; e.g., utility deposit release.

4. Property Taxes estimate is preliminary and subject to further review.

5. Assumes \$112 million of post-petition royalties owed to KCD based on preliminary and ongoing analysis conducted by M-III; figures subject to change.

6. Company cash assumed to include \$50 million available at close and \$29 million available post close. Additional detail in appendix.

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Incremental Sources of Value & Risks

(\$ in millions)

The following provides an analysis of incremental sources of value the Company and ESL could potentially contribute to cover the administrative claim shortfall; as well as risks to the proceeds assumed to be received by the Company

Incremental Sources of Value and Risks to Realization					
Incremental Sources of Value	Availability		Total	Notes	
	At Close	Post-Close			
Potential Incremental Sources	Residual Value in GOB	\$ --	\$43	\$43	Based on M-III analysis
	Additional Budget Savings	8	--	8	Based on M-III analysis
	Reduction in Winddown Cost	[20]	--	[20]	Reduction due to inclusion of additional assets in ESL bid
	First Data	28	--	28	Reserve established prior to bankruptcy to offset customer returns
	Disputed Accounts Payable	15	--	15	Assumes 50% of disputed accounts payable
	Total	\$71	\$43	\$114	
	Additional ABL Reduction	\$39	\$ --	\$39	Based on 2/16/19 Close; excludes \$8 million of outperformance accounted for above
	Total at Low ABL Estimate	\$110	\$43	\$153	Assumes incremental value of ~\$47 million through operational adjustments and budget variance
Risks to Proceeds	Cash	(25)	(15)	(40)	Assumes company is only able to recover 50% of projected cash
	SHIP Deposit	--	(6)	(6)	Reflects risk that estate does not recover SHIP deposit
	Other	TBD	TBD	TBD	
	Total	(\$25)	(\$21)	(\$46)	
Net Total		\$46	\$23	\$69	
Net Total at Low ABL Estimate		\$85	\$23	\$108	Assumes incremental value of ~\$47 million through operational adjustments and budget variance

See appendix for additional detail on potential actions and savings which could reduce the DIP balance at close vis-à-vis baseline estimate

Source: M-III projections; company estimates; 3rd party bids.




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Appendix

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APPENDIX

Additional Value Required Detail

(\$ in millions)

The following provides supporting schedules for the ABL DIP balance and other sources of value assumed in the analysis on the prior page

- Based on M-III estimates and projections

ABL DIP Detail		Notes
Projected ABL DIP Balance (2/9/19)	\$992	Company / M-III projected DIP balance per latest forecast
Adjustment for Week 49 Actuals	(20)	Update to include Week 49 positive variance
Reduction in Critical Vendor Payments	(20)	Assumed reduction in critical vendor payments vs. budget
KEIP / KERP	(10)	~\$25 million is forecasted through closing. Acceleration of the remaining payments is TBD
Other	8	Adjustment
PF ABL DIP Balance (2/9/19)	\$950	Pro forma ABL DIP balance
Other Sources of Value Detail		
Carve Out		
Professional Fee Carve Out Account	\$108	Projected Carve Out at closing
Winddown Reserve		
MTN Sale	\$81	
Insurance Proceeds	13	
U-Haul Proceeds	7	
SHIP Security Deposit	6	Assumes close of SHIP sale prior to close of ESL transaction.
Total Winddown Reserve	\$107	

Source: M-III projections; company estimates; 3rd party bids.

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APPENDIX

Additional Value Required Detail – Company Cash


(\$ in millions)

The following provides further detail into the Company's projected cash balance at close identified by M-III

Company Cash Schedule				
Source	Available:		Total	Notes
	At Close	Post-Close		
Store Cash [1]	\$15.0	\$ --	\$15.0	Cash in registers based on M-III expectations; (excludes assumed \$2 million for GOB stores)
Cash in Transit	15.0	15.0	30.0	\$33 million total, assumes \$15 million available at close and \$15 million post close
Regional Bank Cash	10.0	4.0	14.0	\$14 million in regional banks; assumes \$10 million available at close
Subsidiary Businesses	3.0	--	3.0	Cash in Monark, Innoval, SHS and other subsidiary businesses
Israel Cash	7.0	--	7.0	Based on M-III estimate of \$8.5 million of cash in Israeli Banks; assumes \$1.5 million trapped
Utility Deposit	--	10.0	10.0	Assumes Utility deposit released 45 days after close
Estimated Total Available	\$50.0	\$29.0	\$79.0	
Trapped / Unavailable Cash	\$15.0	\$ --	\$15.0	Includes cash in India, trapped cash, accounting adjustments and other cushion
Total Avail. & Unavail. Cash	\$65.0	\$29.0	\$94.0	

Source: M-III analysis.

1. Company cash in registers to be purchased by buyer.

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APPENDIX


Incremental Sources of Value & Risks – ABL Detail

(\$ in millions)

The following provides further detail into the ABL projections and potential avenues to reduce the balance at close identified by M-III

Closing Senior DIP and 1L Balance Sensitivity				
Case	Low	Mid	Low	Mid
Date	2/8/2019	2/8/2019	2/16/2019	2/16/2019
Senior DIP & 1L Balance at Closing	\$992	\$992	\$1,027	\$1,027
<u>Adjustments / (Risks)</u>				
Week Ending 1/12/19 Positive Cash Variance	\$20	\$20	\$20	\$20
Disbursements - Critical Vendor Payments	20	20	20	20
Inflows - Normal Course Net Merchandise Receipts	–	18	–	22
Inflows - Other Cash Receipts	–	15	–	20
Disbursements - Other SG&A	–	10	–	12
Disbursements - Merchandise Disbursements	–	15	–	20
Disbursements - KEIP / KERP	10	10	10	10
Total Adjustments / (Risks)	\$50	\$108	\$50	\$124
Adjusted Senior DIP & 1L Balance at Closing	\$942	\$884	\$977	\$903
Variance from Assumed Senior DIP Balance of \$950mm	\$8	\$66	(\$27)	\$47

Source: M-III analysis.

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Exhibit K

From: Prakash, Rajat <Rajat.Prakash@searshc.com>
Sent: Wednesday, January 16, 2019 5:02 PM
To: Khan, Aziz; Quinn, Jodie; Joye, Jennifer
Cc: Acquaviva, David
Subject: Armored Car Pickups

As we try to maximize cash in company's concentration accounts by moving from non-BAML local banks to local BAMLs, please also think about armored car pickup schedules.

Would altering the pickup schedules (Mon, Wed) instead of (Tue, Thu) increase/accelerate the cash reaching BAML concentration accounts.

Please broach this with the armored cars while discussing.

Let me know of any questions

Thanks,

Rajat Prakash
Sears Holdings Corporation
Treasury
847.286.2288

Exhibit L

**Minutes of a Meeting of the
Restructuring Committee of the Board of Directors of
Sears Holdings Corporation**

January 16, 2019

A meeting of the Restructuring Committee (the “Committee”) of the Board of Directors (the “Board”) of Sears Holdings Corporation (the “Company”) was held telephonically on January 16, 2019, beginning at 6:30 p.m. (Eastern).

Committee Members Present

- Alan J. Carr
- Paul G. DePodesta
- Ann N. Reese
- William L. Transier

Materials Presented (attached as Exhibits)

- Material Issues List (see Exhibit A)
- Bid Value Required (see Exhibit B)
- Communications Materials (see Exhibit C)

All of the directors being present and the meeting having been duly noticed and convened, the Committee was ready to proceed with business. Also present by invitation were Rob Riecker, Chief Financial Officer and member of the Office of the Chief Executive of the Company; Stephen Sitley, Senior Vice President, General Counsel and Chief Compliance Officer of the Company (by telephone); Luke Valentino, Vice President, Deputy General Counsel and Corporate Secretary of the Company; Jacqueline Avitia-Guzman, Director, Corporate Development and Treasury of the Company; Mohsin Meghji, Chief Restructuring Officer of the Company; Ray Schrock, Jacqueline Marcus, Ellen Odoner, Sunny Singh, Garrett Fail, Gavin Westerman, Paul Genender, Jared Friedmann, Naomi Munz, Jessie Mishkin, Natasha Hwangpo, Kaitlin Descovich, Hayden Guthrie, Paloma van Groll and Sam Hulsey of Weil, Gotshal & Manges LLP, attorneys for the Company (“Weil”); Chris Good, Colin Adams, Brian Griffith and Bill Gallagher of M-III Partners, LP, restructuring advisor to the Company (“M-III”); Brandon Aebersold, Levi Quaintance and Conor Mackie of Lazard Frères & Co. LLC, the Company’s investment banker (“Lazard”); Paul Basta and Kelley Cornish of Paul, Weiss, Rifkind, Wharton & Garrison LLP (“Paul Weiss”), counsel to the Subcommittee of the Committee (the “Subcommittee”); Dennis Stogsdill of Alvarez & Marsal, restructuring advisor to the Subcommittee (“A&M”); and Dan Aronson and Jonathan Kamel of Evercore Partners, LP, financial advisor to the Subcommittee.

Mr. Schrock reported that a revised draft of the proposed asset purchase agreement (the “APA”) between the Company and ESL Investments, Inc. (“ESL”) had been received from Cleary, Gottlieb, Steen & Hamilton LLP, counsel to ESL (“Cleary”), and Weil had communicated about the APA with the Committee of Unsecured Creditors (the “UCC”) as required by the Bankruptcy Court.

Ms. Odoner reviewed for the Committee the key outstanding issues on the APA. She stated that ESL's lenders were insisting on a marketing period of 14 business days that would commence on the receipt of "required information" that had not yet been provided, although significant efforts had been and were continuing to be made. She stated that ESL had indicated that it was unwilling to sign unless the lenders confirmed to it that they had the required information, in which event ESL would represent the same to the Company. She also stated [REDACTED]

[REDACTED] Ms. Odoner stated further, that ESL was unwilling to extend protection periods for employees for their compensation, benefits and severance through the end of 2020, but rather only through the end of the fiscal year ending on February 1, 2020. She also stated that ESL was not willing to put its deposit at risk if the Company was unable to meet the maximum Senior DIP, maximum Junior DIP and minimum inventory and receivables tests necessary to satisfy ESL's closing conditions.

Mr. Singh noted that ESL had moved on one point in that they would allow excess inventory to offset a deficiency in receivables for purposes of determining minimum amount.

Mr. Schrock noted [REDACTED]

Ms. Odoner stated that ESL had also rejected the Company's request to eliminate the "DIP Shortfall" provision. Mr. Aebersold explained that this provision would give ESL the benefit if the Company exceeded expectations and a total of less than \$1.2 billion was outstanding under the Senior DIP and Junior DIP at closing. The Committee and the advisors noted that if the Company performed \$1 better than expected, the benefit would accrue to ESL while if the Company performed \$1 less well than expected, ESL would not be required to close.

Mr. Singh reported that Weil continued to press Cleary on this point and that Cleary continued to state that it was a "hard no" from Mr. Lampert.

Ms. Odoner addressed [REDACTED]

The Committee and the advisors discussed how to approach ESL on the material open points.

Mr. Aebersold reviewed with the Committee the bid value materials that memorialized the discussions of the night before. He discussed the incremental value that would be required to pay administrative claims and the risks to some of the sources of value.

The Committee and the advisors further discussed the DIP shortfall issue and potential resolutions to present to ESL. Mr. Schrock stated [REDACTED]

[REDACTED]
[REDACTED] A discussion among the Committee and its advisors ensued.

Mr. Schrock stated [REDACTED]

[REDACTED] Mr. Aebersold confirmed that this had always been an issue in the APA that was not acceptable, but Lazard had always gotten strong push back from ESL.

Mr. Stogsdill presented a solution for managing cash flow in the ordinary course such that any benefit of better than anticipated performance could be applied to paying down administrative claims and reducing the risk of administrative insolvency rather than triggering the DIP shortfall provision. The advisors discussed and confirmed along with Mr. Riecker that there were ways to manage the budget in the ordinary course.

Mr. Singh raised [REDACTED]
[REDACTED]

Mr. Riecker reported that Skadden should be confirming that the lenders have all of the information required to begin the marketing period the following morning.

The advisors stated that the Committee would be reconvened following discussion with ESL's advisors on the points raised.

There being no further business before the Committee, the meeting adjourned at approximately 7:40 p.m.

Exhibit A

Material Issues List

See attached.

Exhibit B

Bid Value Required

See attached.

Exhibit C

Communications Materials

See attached.

Exhibit M

**Minutes of a Meeting of the
Restructuring Committee of the Board of Directors of
Sears Holdings Corporation**

January 16, 2019

A meeting of the Restructuring Committee (the “Committee”) of the Board of Directors (the “Board”) of Sears Holdings Corporation (the “Company”) was held telephonically on January 16, 2019, beginning at 9:45 p.m. (Eastern).

Committee Members Present

- Alan J. Carr
- Paul G. DePodesta
- Ann N. Reese
- William L. Transier

All of the directors being present and the meeting having been duly noticed and convened, the Committee was ready to proceed with business. Also present by invitation were Rob Riecker, Chief Financial Officer and member of the Office of the Chief Executive of the Company; Stephen Sitley, Senior Vice President, General Counsel and Chief Compliance Officer of the Company; Luke Valentino, Vice President, Deputy General Counsel and Corporate Secretary of the Company; Jacqueline Avitia-Guzman, Director, Corporate Development and Treasury of the Company; Jane Borden, President of Real Estate of the Company; Mohsin Meghji, Chief Restructuring Officer of the Company; Jacqueline Marcus, Greg Danilow, Ellen Odoner, Sunny Singh, Garrett Fail, Gavin Westerman, Paul Genender, Jared Friedmann, Naomi Munz, Jessie Mishkin, Natasha Hwangpo, Kaitlin Descovich, Hayden Guthrie, Paloma van Groll and Sam Hulsey of Weil, Gotshal & Manges, LLP, attorneys for the Company (“Weil”); Chris Good, Colin Adams, Brian Griffith and Bill Gallagher of M-III Partners, LP, restructuring advisor to the Company (“M-III”); Brandon Aebersold, Levi Quaintance and Conor Mackie of Lazard Frères & Co. LLC, the Company’s investment banker (“Lazard”); and Kelley Cornish of Paul, Weiss, Rifkind, Wharton and Garrison LLP (“Paul Weiss”), counsel to the Subcommittee of the Committee (the “Subcommittee”); Dennis Stogsdill of Alvarez & Marsal, restructuring advisor to the Subcommittee (“A&M”); and Dan Aronson and Jonathan Kamel of Evercore Partners, LP, financial advisor to the Subcommittee.

Mr. Singh reported that Cleary, Gottlieb, Steen & Hamilton, LLP (“Cleary”) had responded to Weil that the “DIP shortfall” provision was part of the final bid made at the auction by ESL Investments, Inc. (“ESL”) and was not a documentation point open for further negotiation.

Mr. Quaintance quantified the Company’s maximum exposure at \$25 million (assuming all opportunities for cost savings were realized) and reviewed ways in which the Company could manage its budget to minimize the risk of triggering the “DIP shortfall” provision.

Ms. Odoner [REDACTED]
[REDACTED]

The advisors responded to questions from the Committee. Following discussion, the Committee requested that Lazard prepare updated materials that reflected the calculations discussed and to promptly reconvene for with all of the advisors.

There being no further business before the Committee, the meeting was adjourned at approximately 10:15 p.m.

Exhibit N

**Minutes of a Meeting of the
Restructuring Committee of the Board of Directors of
Sears Holdings Corporation**

January 16, 2019

A meeting of the Restructuring Committee (the “Committee”) of the Board of Directors (the “Board”) of Sears Holdings Corporation (the “Company”) was held telephonically on January 16, 2019, beginning at 11:30 p.m. (Eastern).

Committee Members Present

- Alan J. Carr
- Paul G. DePodesta
- Ann N. Reese
- William L. Transier

Materials Presented (attached as Exhibits)

- Presentation (see Exhibit A)

With a quorum being present and the meeting having been duly noticed and convened, the Committee was ready to proceed with business. Also present by invitation were Rob Riecker, Chief Financial Officer and member of the Office of the Chief Executive of the Company; Stephen Sitley, Senior Vice President, General Counsel and Chief Compliance Officer of the Company; Luke Valentino, Vice President, Deputy General Counsel & Corporate Secretary of the Company; Jacqueline Avitia-Guzman, Director, Corporate Development and Treasury of the Company; Mohsin Meghji, Chief Restructuring Officer of the Company; Ray Schrock, Jacqueline Marcus, Ellen Odoner, Sunny Singh, Garrett Fail, Gavin Westerman, Paul Genender, Jared Friedmann, Naomi Munz, Jessie Mishkin, Natasha Hwangpo, Kaitlin Descovich, Hayden Guthrie, Paloma van Groll and Sam Hulsey of Weil, Gotshal & Manges, LLP, attorneys for the Company (“Weil”); Chris Good, Colin Adams, Brian Griffith and Bill Gallagher of M-III Partners, LP, restructuring advisor to the Company (“M-III”); Brandon Aebersold, Levi Quaintance and Conor Mackie of Lazard Frères & Co. LLC, the Company’s investment banker (“Lazard”); and Paul Basta and Kelley Cornish of Paul, Weiss, Rifkind, Wharton & Garrison LLP (“Paul Weiss”), counsel to the Subcommittee of the Committee (the “Subcommittee”); Dennis Stogsdill of Alvarez & Marsal, restructuring advisor to the Subcommittee; and Dan Aronson and Jonathan Kamel of Evercore Partners, LP, financial advisor to the Subcommittee.

Mr. Schrock stated that the meeting had been convened at the request of the Committee to review an analysis that Lazard prepared regarding the potential impact of the “DIP shortfall” provision if the Company were to outperform the debtor-in-possession financing budget prior to closing.

Mr. Quaintance reviewed the presentation, which showed that the maximum amount of “overperformance”, if all opportunities were achieved, was \$25 million and that the Company had

levers to avoid triggering the “DIP shortfall” provision by paying administrative claims in the ordinary course. Mr. Quaintance also noted that there could be no assurance that all opportunities would be achieved.

The advisors responded to questions from the Committee.

Mr. Schrock confirmed [REDACTED]

Mr. Aebersold confirmed that the presentation demonstrated that there were ways to manage the “risk” that the Company would generate more cash than needed to reduce the Senior DIP to a maximum of \$850 million at closing and trigger the “DIP shortfall” provision. He stated that, from Lazard’s perspective, ESL’s revised bid represented the best alternative for the Company. Mr. Meghji agreed.

Mr. Transier made a motion to approve accepting the ESL bid, agreeing on the transaction documentation and closing the auction based on the recommendations of the advisors. The motion was seconded by Ms. Reese and approved by Mr. DePodesta and Mr. Carr.

Mr. Schrock stated that the auction should be resumed and the parties should go back on the record as soon as practicable.

There being no further business for the Committee, the meeting was adjourned at approximately 12:00 a.m.

Exhibit A

Presentation

See attached.)

Exhibit O

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PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408

Project Blue

Weekly Flash Report

(DIP Budget Week 14)

January 23, 2019



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Week 14 - Actuals For Rolling 4 Weeks

Cash Variance to Budget	Week 47 - Budget Week 11			Week 48 - Budget Week 12			Week 49 - Budget Week 13			Week 50 - Budget Week 14			Weeks 47 - 50		
	Budget: 11/21 DIP Budget			Budget: 11/21 DIP Budget			Budget: 1/11 DIP Budget			Budget: 1/11 DIP Budget			12/23/18 - 1/19/19		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$215	\$229	\$14	\$259	\$186	(\$73)	\$153	\$175	\$22	\$141	143	\$3	\$768	\$734	(\$34)
Merch Vendors	(51)	(55)	(4)	(53)	(58)	(5)	(67)	(64)	3	(62)	(60)	3	(233)	(236)	(3)
Rent/Occupancy	(1)	0	1	(1)	0	1	(30)	(34)	(4)	(1)	(17)	(15)	(34)	(51)	(17)
Payroll/Bens/Taxes	(58)	(53)	5	(31)	(59)	(28)	(48)	(49)	(1)	(34)	(34)	0	(171)	(195)	(24)
Other SG&A Disbursements	(76)	(45)	31	(72)	(38)	34	(44)	(54)	(9)	(45)	(47)	(1)	(238)	(184)	54
Total Operating Disbursements	(185)	(152)	33	(157)	(156)	1	(190)	(202)	(11)	(143)	(156)	(14)	(676)	(666)	10
CapEx	(1)	(0)	1	(1)	(1)	0	(1)	(0)	1	(1)	(0)	1	(4)	(1)	2
Total Operating Cash Flow	\$29	\$76	\$48	\$101	\$30	(\$71)	(\$38)	(\$27)	\$12	(\$3)	(13)	(\$11)	\$88	\$66	(\$22)
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	\$0	\$0	\$0	\$0
Day 1 Critical Vendor Motion	(10)	0	10	(3)	(3)	0	(10)	0	10	(10)	0	10	(33)	(3)	30
Insurance	0	0	0	0	0	0	(4)	0	4	0	0	0	(4)	0	4
Gift Card Redemptions	(1)	1	1	(1)	1	1	0	0	0	0	0	0	(2)	0	2
KEIP / KERP	0	0	0	0	0	0	0	0	0	(6)	0	6	(6)	0	6
Credit Card Holdbacks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PTO	(1)	0	1	(1)	0	1	(5)	0	5	(1)	0	1	(7)	0	7
TSACSA and IP Royalty Payments	(1)	1	1	0	0	0	0	0	0	(16)	0	16	(17)	0	17
Bankruptcy Related Disbursements	(\$13)	\$0	\$13	(\$5)	(\$3)	\$2	(\$19)	\$0	\$19	(\$33)	0	\$33	(\$70)	(\$3)	\$67
Cash Interest	(\$4)	\$0	\$4	(\$5)	(\$3)	\$1	(\$3)	(\$13)	(\$10)	(\$3)	(2)	\$1	(\$15)	(\$18)	(\$3)
Financing Fees	0	(0)	(0)	0	(3)	(3)	(0)	(2)	(2)	(0)	0	0	(0)	(6)	(5)
Professional Fees	0	0	0	(14)	(10)	3	0	0	0	0	(4)	(4)	(14)	(15)	(1)
Intercompany Inflows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Non-Operating Disbursements	(\$4)	(\$0)	\$4	(\$18)	(\$17)	\$2	(\$3)	(\$15)	(\$12)	(\$3)	(6)	(\$3)	(\$29)	(\$38)	(\$9)
Net Cash Flows before Financing	\$11	\$76	\$65	\$78	\$10	(\$67)	(\$61)	(\$41)	\$19	(\$39)	(20)	\$19	(\$10)	\$25	\$36
Financing	(\$11)	(\$35)	(\$24)	(\$78)	(\$49)	\$29	\$61	\$60	(\$1)	\$39	199	\$160	10	174	\$164
Net Cash Flow	\$0	\$41	\$41	\$0	(\$38)	(\$38)	\$0	\$18	\$18	\$0	179	\$179	\$0	\$199	\$199
Beginning Cash	\$0	\$0	\$0	\$0	\$35	\$34	\$0	\$0	(\$0)	\$0	7	\$6	\$0	\$0	\$0
Cash Flow Before Financing	11	76	65	78	10	(67)	(61)	(\$41)	19	(39)	(20)	19	(10)	25	36
Financing	(11)	(35)	(24)	(78)	(49)	29	61	\$60	(1)	39	199	160	10	174	164
Change in Carveout Account	0	(6)	(6)	0	4	4	0	(12)	(12)	0	(4)	(4)	0	(18)	(18)
Ending Available Cash Balance	\$0	\$35	\$35	\$0	\$0	\$0	\$0	\$7	\$7	\$0	182	182	\$0	\$182	\$182

Week 14 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13 and 14 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 14 same store sales (go-forward stores) were negative (18.9%) for FLS and (11.1%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (15.9%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$60mm on post-petition merchandise disbursements in week 14 which is below the forecast disbursements by ~\$2mm
- The Company made no critical vendor payments this week
- \$15mm payments for accrued post-petition Sparrow rent through January were made during the week
- Other SG&A Disbursements of \$47mm was above the weekly budgeted amount of \$45mm
 - The \$47mm of the Other SG&A Disbursements includes \$2.1mm of payments for Home Services and builder distributors customer orders, \$7.4mm in transportation and logistics vendor payments, \$2.1mm in advertising payments, and \$1.6mm to fund Sears Home Improvement
- The Company paid \$2mm of interest and \$4mm of professional fees during the week

Financing

- The Company drew \$175mm on the Jr. DIP to fund operations and pay down portions of the outstanding Sr. DIP ABL Revolver
- The DIP Term Loan was paid down \$10mm with a Sr. DIP ABL Revolver draw in accordance with the rebalancing provision of the Sr. DIP credit agreement

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 11-14 of the proceeding equaled \$25mm, which is above the budgeted (\$10mm) from the composite of the 11/21/18 DIP budget and 1/11/19 DIP budget for the 4 week period
- The Company ended the week with a \$182mm ending cash balance because proceeds from the Jr. DIP draw and Sears Hometown & Outlets were received after the daily cash sweep on Friday. The remaining cash was swept to Bank of America the next business day

Week 13 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 13 same store sales (go-forward stores) were negative (16.6%) for FLS and (12.1%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (14.9%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$64mm on post-petition merchandise disbursements in week 13 which is below the forecast disbursements by ~\$3mm
- The Company made no critical vendor payments this week
- Other SG&A Disbursements of \$54mm was above the weekly budgeted amount of \$44mm
 - The \$54mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$6.7mm in transportation and logistics vendor payments, \$2.5mm in advertising payments, and \$1.9mm to fund Sears Home Improvement
- The Company paid \$13mm of interest during the week and \$2mm of financing fees
- The Company paid no professional fees during the week

Financing

- The Company drew \$100mm on the Jr. DIP to fund operations and pay down \$40mm of the outstanding Sr. DIP ABL Revolver

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 10-13 of the proceeding equaled \$123mm, which is well above the budgeted \$3mm
- The Company ended the week with a \$7mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The remaining cash was swept to Bank of America the next business day

Week 12 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 12 same store sales (go-forward stores) were negative (15.8%) for FLS and (10.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.6%)
- Receipts had a large negative variance because the budget attributed Holiday related inflows to the week which actualized in the previous week
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$58mm on post-petition merchandise disbursements in week 12 which is above the forecast disbursements by ~\$5mm
- The Company made \$3mm in critical vendor payments during the week
- Other SG&A Disbursements of \$38mm was below the weekly budgeted amount of \$72mm
 - The \$38mm of the Other SG&A Disbursements includes \$1.9mm of payments for Home Services and builder distributors customer orders, \$8.1mm in transportation and logistics vendor payments, \$3.1mm in advertising payments, and \$1.2mm to fund Sears Home Improvement
- The Company paid \$3mm of interest during the week and \$3mm of financing fees
- The Company paid 14 professional firms an aggregate of \$10mm during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 9-12 of the proceeding equaled \$176mm, which is well above the budgeted (\$14mm)

Week 11 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 11 same store sales (go-forward stores) were negative (7.4%) for FLS and 4.0% for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (2.5%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$55mm on post-petition merchandise disbursements in week 11 which is above the forecast disbursements by ~\$4mm
- The Company made no critical vendor payments during the week
- Other SG&A Disbursements of \$45mm was below the weekly budgeted amount of \$76mm
 - The \$45mm of the Other SG&A Disbursements includes \$2.3mm of payments for Home Services and builder distributors customer orders, \$8.6mm in transportation and logistics vendor payments, \$1.7mm in advertising payments, and \$2.4mm to fund Sears Home Improvement
- The Company did not pay interest during the week and paid \$0.3mm of financing fees
- No professional fees were paid during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 8-11 of the proceeding equaled \$212mm, which is well above the budgeted (\$156mm)
- The Company ended the week with a \$35mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday and the Company borrowed \$24mm for an insurance payment it did not pay on Friday
 - The Company made the insurance payment and all remaining cash was swept to Bank of America the next business day

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 11-14	
Vendor	Disbursements
Home Services	\$32.2
Whirlpool	20.5
LG HA	20.0
EMA	17.8
Cardinal Health	11.9
Winiadaewoo Electronics	7.1
Samsung	6.1
P&G	4.8
MTD	3.8
Waterloo Industries	3.6
Wolverine Worldwide	3.5
Sealy Mattress Company	2.8
Global Brands Group	2.4
VF Jeanswear Limited	2.2
Icon	1.9
Michelin	1.4
Kimberly Clark	1.3
Henkel	1.2
Serta Simmons	1.2
Combine International	1.2
Top 20 Post-petition Vendors	\$147.0
(+) Other	89.3
Total Post-petition Merchandise Disbursements	\$236.3

- The Company made ~\$236mm in payments for post-petition merchandise during budget weeks 11-14
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$123mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 11	Week 12	Week 13	Week 14	Total	
BofA Checks	\$ (4.9)	\$ (6.9)	\$ (7.1)	\$ (3.6)	\$ (22.5)	Issued checks, primarily tax payments
Internal / Other Margin	(3.5)	(3.2)	(2.7)	(6.6)	(16.0)	Home Services logistics and certain contractor payments
Utilities & Telephone	(3.9)	(3.6)	(6.1)	(4.5)	(18.1)	
Outside/Associate/Consulting	(4.4)	(2.0)	(6.7)	(3.9)	(17.0)	Temporary labor
Advertising Expense	(1.7)	(3.1)	(2.5)	(2.1)	(9.3)	
Non-Merch COGS	(2.0)	(2.2)	(2.1)	(1.9)	(8.1)	Licensed businesses including Sears Optical
Equipment Expenses	(3.1)	(3.2)	(4.2)	(4.7)	(15.2)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(2.3)	(1.9)	(2.8)	(2.1)	(9.1)	Franchise and builder distributor appliance network funding
Logistics	(3.6)	(3.9)	(2.0)	(2.7)	(12.2)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(4.7)	(1.5)	(2.6)	(2.5)	(11.2)	
SHP Checks	(2.4)	(1.2)	(1.9)	(1.6)	(7.1)	Funding for Sear Home Improvement
Occupancy Repairs	(0.9)	(1.1)	(0.9)	(1.3)	(4.1)	Building maintenance expense
CheckFreePay	(0.6)	(0.9)	(1.4)	(0.8)	(3.7)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.0)	(1.1)	(1.1)	(1.3)	(4.4)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	-	-	(0.5)	(0.7)	(1.2)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.4)	(0.3)	(0.4)	(0.4)	(1.5)	Shipping expenses
Insurance Exp	(0.1)	(0.1)	(0.3)	-	(0.4)	
BS Adjustment - AP	(0.3)	1.1	0.1	(0.5)	0.4	Cash received or paid for reconciliation of vendor inventory receipts
Display Expense	(0.0)	(0.1)	-	-	(0.1)	
CARPACH	(5.0)	(4.2)	(4.7)	(4.7)	(18.6)	Payments to intermodal logistics vendors
P-Card	-	-	(3.9)	-	(3.9)	Employee procurement credit card payments
India/Israel/GS	-	-	-	(0.6)	(0.6)	Funding for foreign offices
Other SG&A Disbursements	\$ (44.8)	\$ (38.5)	\$ (53.7)	\$ (46.5)	\$ (183.5)	

Exhibit P

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Project Blue

Weekly Flash Report

(DIP Budget Week 15)

January 30, 2019



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Week 15 - Actuals For Rolling 4 Weeks

Cash Variance to Budget	Week 48 - Budget Week 12 Budget: 11/21 DIP Budget 12/30/18 - 1/5/19 Budget Actual Variance			Week 49 - Budget Week 13 Budget: 1/11 DIP Budget 1/6/19 - 1/12/19 Budget Actual Variance			Week 50 - Budget Week 14 Budget: 1/11 DIP Budget 1/13/19 - 1/19/19 Budget Actual Variance			Week 51 - Budget Week 15 Budget: 1/11 DIP Budget 1/20/19 - 1/26/19 Budget Actual Variance			Weeks 48 - 51 12/30/18 - 1/26/19 Budget Actual Variance		
Total Operating Receipts	\$259	\$186	(\$73)	\$153	\$175	\$22	\$141	143	\$3	\$124	116	(\$8)	\$677	\$621	(\$56)
Merch Vendors	(53)	(58)	(5)	(67)	(64)	3	(62)	(60)	3	(60)	(61)	(1)	(243)	(243)	(1)
Rent/Occupancy	(1)	0	1	(30)	(34)	(4)	(1)	(17)	(15)	(1)	0	1	(34)	(51)	(17)
Payroll/Bens/Taxes	(31)	(59)	(28)	(48)	(49)	(1)	(34)	(34)	0	(33)	(32)	1	(146)	(174)	(28)
Other SG&A Disbursements	(72)	(38)	34	(44)	(54)	(9)	(45)	(47)	(1)	(57)	(57)	(0)	(219)	(196)	23
Total Operating Disbursements	(157)	(156)	1	(190)	(202)	(11)	(143)	(156)	(14)	(151)	(150)	0	(641)	(664)	(23)
CapEx	(1)	(1)	0	(1)	(0)	1	(1)	(0)	1	(1)	(1)	1	(4)	(2)	2
Total Operating Cash Flow	\$101	\$30	(\$71)	(\$38)	(\$27)	\$12	(\$3)	(13)	(\$11)	(\$28)	(35)	(\$7)	\$32	(\$45)	(\$77)
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	\$0	\$0	0	\$0	\$0	\$0	\$0
Day 1 Critical Vendor Motion	(3)	(3)	0	(10)	0	10	(10)	0	10	(10)	0	10	(33)	(3)	30
Insurance	0	0	0	(4)	0	4	0	0	0	0	0	0	(4)	0	4
Gift Card Redemptions	(1)	1	0	0	0	0	0	0	0	0	0	0	(1)	0	1
KEIP / KERP	0	0	0	0	0	0	(6)	0	6	0	0	0	(6)	0	6
Credit Card Holdbacks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PTO	(1)	0	1	(5)	0	5	(1)	0	1	(0)	0	0	(7)	0	7
IP Royalty Payments	0	0	0	0	0	0	(16)	0	16	0	0	0	(16)	0	16
Bankruptcy Related Disbursements	(\$5)	(\$3)	\$2	(\$19)	\$0	\$19	(\$33)	0	\$33	(\$10)	0	\$10	(\$67)	(\$3)	\$65
Cash Interest	(\$5)	(\$3)	\$1	(\$3)	(\$13)	(\$10)	(\$3)	(2)	\$1	(\$3)	(2)	\$1	(\$14)	(\$20)	(\$6)
Financing Fees	0	(3)	(3)	(0)	(2)	(2)	(0)	0	0	(0)	0	0	(0)	(5)	(5)
Professional Fees	(14)	(10)	3	0	0	0	0	(4)	(4)	(18)	(1)	17	(32)	(16)	16
Intercompany Inflows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Non-Operating Disbursements	(\$18)	(\$17)	\$2	(\$3)	(\$15)	(\$12)	(\$3)	(6)	(\$3)	(\$22)	(3)	\$18	(\$46)	(\$41)	\$5
Net Cash Flows before Financing	\$78	\$10	(\$67)	(\$61)	(\$41)	\$19	(\$39)	(20)	\$19	(\$60)	(38)	\$22	(\$82)	(\$89)	(\$7)
Financing	(\$78)	(\$49)	\$29	\$61	\$60	(\$1)	\$39	199	\$160	\$60	(137)	(\$197)	82	72	(\$10)
Net Cash Flow	\$0	(\$38)	(\$38)	\$0	\$18	\$18	\$0	179	\$179	\$0	(175)	(\$175)	\$0	(\$16)	(\$16)
Beginning Cash	\$0	\$35	\$35	\$0	\$0	\$0	\$0	\$7	\$7	\$0	\$182	\$182	\$0	\$35	\$34
Cash Flow Before Financing	78	10	(67)	(61)	(\$41)	19	(39)	(20)	19	(60)	(38)	22	(82)	(89)	(7)
Financing	(78)	(49)	29	61	\$60	(1)	39	199	160	60	(137)	(197)	82	72	(10)
Change in Carveout Account	0	4	4	0	(12)	(12)	0	(4)	(4)	0	(7)	(7)	0	(19)	(19)
Ending Available Cash Balance	\$0	\$0	\$0	\$0	\$7	\$7	\$0	\$182	\$182	\$0	\$0	\$0	\$0	\$0	\$0

Week 15 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13, 14, and 15 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 15 same store sales (go-forward stores) were negative (9.4%) for FLS and (16.8%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (12.5%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$61mm on post-petition merchandise disbursements in week 15 which is higher than the forecast disbursements by ~\$1mm
- The Company made no critical vendor payments this week
- Other SG&A Disbursements of \$57mm is aligned with the weekly budgeted amount of \$57mm
 - The \$57mm of the Other SG&A Disbursements includes \$2.7mm of payments for Home Services and builder distributors customer orders, \$6.9mm in transportation and logistics vendor payments, \$2.1mm in advertising payments, and \$1.6mm to fund Sears Home Improvement
- The Company paid \$2mm of interest and \$1mm of professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 12-15 of the proceeding equaled (\$89mm), which is below the budgeted (\$82mm) from the composite of the 11/21/18 DIP budget and 1/11/19 DIP budget for the 4 week period

Week 14 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13 and 14 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 14 same store sales (go-forward stores) were negative (18.9%) for FLS and (11.1%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (15.9%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$60mm on post-petition merchandise disbursements in week 14 which is below the forecast disbursements by ~\$2mm
- The Company made no critical vendor payments this week
- \$15mm payments for accrued post-petition Sparrow rent through January were made during the week
- Other SG&A Disbursements of \$47mm was above the weekly budgeted amount of \$45mm
 - The \$47mm of the Other SG&A Disbursements includes \$2.1mm of payments for Home Services and builder distributors customer orders, \$7.4mm in transportation and logistics vendor payments, \$2.1mm in advertising payments, and \$1.6mm to fund Sears Home Improvement
- The Company paid \$2mm of interest and \$4mm of professional fees during the week

Financing

- The Company drew \$175mm on the Jr. DIP to fund operations and pay down portions of the outstanding Sr. DIP ABL Revolver
- The DIP Term Loan was paid down \$10mm with a Sr. DIP ABL Revolver draw in accordance with the rebalancing provision of the Sr. DIP credit agreement

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 11-14 of the proceeding equaled \$25mm, which is above the budgeted (\$10mm) from the composite of the 11/21/18 DIP budget and 1/11/19 DIP budget for the 4 week period
- The Company ended the week with a \$182mm ending cash balance because proceeds from the Jr. DIP draw and Sears Hometown & Outlets were received after the daily cash sweep on Friday. The remaining cash was swept to Bank of America the next business day

Week 13 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 13 same store sales (go-forward stores) were negative (16.6%) for FLS and (12.1%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (14.9%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$64mm on post-petition merchandise disbursements in week 13 which is below the forecast disbursements by ~\$3mm
- The Company made no critical vendor payments this week
- Other SG&A Disbursements of \$54mm was above the weekly budgeted amount of \$44mm
 - The \$54mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$6.7mm in transportation and logistics vendor payments, \$2.5mm in advertising payments, and \$1.9mm to fund Sears Home Improvement
- The Company paid \$13mm of interest during the week and \$2mm of financing fees
- The Company paid no professional fees during the week

Financing

- The Company drew \$100mm on the Jr. DIP to fund operations and pay down \$40mm of the outstanding Sr. DIP ABL Revolver

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 10-13 of the proceeding equaled \$123mm, which is well above the budgeted \$3mm
- The Company ended the week with a \$7mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The remaining cash was swept to Bank of America the next business day

Week 12 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18

Receipts

- Week 12 same store sales (go-forward stores) were negative (15.8%) for FLS and (10.5%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (13.6%)
- Receipts had a large negative variance because the budget attributed Holiday related inflows to the week which actualized in the previous week
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$58mm on post-petition merchandise disbursements in week 12 which is above the forecast disbursements by ~\$5mm
- The Company made \$3mm in critical vendor payments during the week
- Other SG&A Disbursements of \$38mm was below the weekly budgeted amount of \$72mm
 - The \$38mm of the Other SG&A Disbursements includes \$1.9mm of payments for Home Services and builder distributors customer orders, \$8.1mm in transportation and logistics vendor payments, \$3.1mm in advertising payments, and \$1.2mm to fund Sears Home Improvement
- The Company paid \$3mm of interest during the week and \$3mm of financing fees
- The Company paid 14 professional firms an aggregate of \$10mm during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 9-12 of the proceeding equaled \$176mm, which is well above the budgeted (\$14mm)

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 12-15	
Vendor	Disbursements
Home Services	\$28.2
LG HA	24.7
Whirlpool	21.1
EMA	19.4
Cardinal Health	11.8
Winiadaewoo Electronics	5.7
Samsung	5.1
MTD	4.8
Waterloo Industries	3.9
Cardinal Industries	3.6
P&G	3.1
Wolverine Worldwide	3.0
Global Brands Group	2.5
Levi	2.1
Michelin	1.8
Kimberly Clark	1.8
Sealy Mattress Company	1.6
Combine International	1.2
Children's Apparel Network	1.1
Serta Simmons	1.0
Top 20 Post-petition Vendors	\$147.6
(+) Other	95.7
Total Post-petition Merchandise Disbursements	\$243.3

- The Company made ~\$243mm in payments for post-petition merchandise during budget weeks 12-15
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$83mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 12	Week 13	Week 14	Week 15	Total	
BofA Checks	\$ (6.9)	\$ (7.1)	\$ (3.6)	\$ (7.3)	\$ (24.9)	Issued checks, primarily tax payments
Internal / Other Margin	(3.2)	(2.7)	(6.6)	(3.2)	(15.6)	Home Services logistics and certain contractor payments
Utilities & Telephone	(3.6)	(6.1)	(4.5)	(4.4)	(18.6)	
Outside/Associate/Consulting	(2.0)	(6.7)	(3.9)	(4.4)	(16.9)	Temporary labor
Advertising Expense	(3.1)	(2.5)	(2.1)	(2.1)	(9.7)	
Non-Merch COGS	(2.2)	(2.1)	(1.9)	(1.6)	(7.7)	Licensed businesses including Sears Optical
Equipment Expenses	(3.2)	(4.2)	(4.7)	(3.4)	(15.5)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(1.9)	(2.8)	(2.1)	(2.7)	(9.5)	Franchise and builder distributor appliance network funding
Logistics	(3.9)	(2.0)	(2.7)	(3.2)	(11.7)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(1.5)	(2.6)	(2.5)	(5.6)	(12.1)	
SHP Checks	(1.2)	(1.9)	(1.6)	(1.6)	(6.3)	Funding for Sear Home Improvement
Occupancy Repairs	(1.1)	(0.9)	(1.3)	(1.0)	(4.2)	Building maintenance expense
CheckFreePay	(0.9)	(1.4)	(0.8)	(0.6)	(3.6)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.1)	(1.1)	(1.3)	(1.3)	(4.7)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	-	(0.5)	(0.7)	(4.9)	(6.1)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.3)	(0.4)	(0.4)	(0.2)	(1.4)	Shipping expenses
Insurance Exp	(0.1)	(0.3)	-	(0.2)	(0.6)	
BS Adjustment - AP	1.1	0.1	(0.5)	(0.8)	(0.1)	Cash received or paid for reconciliation of vendor inventory receipts
Display Expense	(0.1)	-	-	-	(0.1)	
CARPACH	(4.2)	(4.7)	(4.7)	(3.7)	(17.3)	Payments to intermodal logistics vendors
P-Card	-	(3.9)	-	(5.0)	(8.9)	Employee procurement credit card payments
India/Israel/GS	-	-	(0.6)	-	(0.6)	Funding for foreign offices
Other SG&A Disbursements	\$ (38.5)	\$ (53.7)	\$ (46.5)	\$ (56.9)	\$ (195.6)	

Exhibit Q

**DRAFT – FOR DISCUSSION PURPOSES ONLY
PRIVILEGED AND CONFIDENTIAL- SUBJECT TO FRE 408**

Project Blue

Weekly Flash Report

(DIP Budget Week 16)

February 6, 2019



sears

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Week 16 - Actuals For Rolling 4 Weeks

	Week 49 - Budget Week 13 Budget: 1/11 DIP Budget 1/6/19 - 1/12/19			Week 50 - Budget Week 14 Budget: 1/11 DIP Budget 1/13/19 - 1/19/19			Week 51 - Budget Week 15 Budget: 1/11 DIP Budget 1/20/19 - 1/26/19			Week 52 - Budget Week 16 Budget: 1/11 DIP Budget 1/27/19 - 2/2/19			Weeks 49 - 52 1/6/19 - 2/2/19		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Total Operating Receipts	\$153	\$175	\$22	\$141	143	\$3	\$124	116	(\$8)	\$130	133	\$3	\$547	\$567	\$20
Merch Vendors	(67)	(64)	3	(62)	(60)	3	(60)	(61)	(1)	(61)	(54)	7	(251)	(239)	12
Rent/Occupancy	(30)	(34)	(4)	(1)	(17)	(15)	(1)	0	1	(1)	0	1	(34)	(51)	(17)
Payroll/Bens/Taxes	(48)	(49)	(1)	(34)	(34)	0	(33)	(32)	1	(50)	(49)	1	(165)	(164)	1
Other SG&A Disbursements	(44)	(54)	(9)	(45)	(47)	(1)	(57)	(57)	(0)	(43)	(57)	(14)	(189)	(214)	(26)
Total Operating Disbursements	(190)	(202)	(11)	(143)	(156)	(14)	(151)	(150)	0	(155)	(160)	(6)	(638)	(669)	(30)
CapEx	(1)	(0)	1	(1)	(0)	1	(1)	(1)	1	(1)	(0)	1	(4)	(2)	2
Total Operating Cash Flow	(\$38)	(\$27)	\$12	(\$3)	(13)	(\$11)	(\$28)	(35)	(\$7)	(\$26)	(28)	(\$2)	(\$95)	(\$103)	(\$8)
NON-OPERATING CASH FLOW															
Day 1 Utility Motion	\$0	\$0	\$0	\$0	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0	\$0	\$0
Day 1 Critical Vendor Motion	(10)	0	10	(10)	0	10	(10)	0	10	(10)	0	10	(40)	0	40
Insurance	(4)	0	4	0	0	0	0	0	0	0	0	0	(4)	0	4
Gift Card Redemptions	0	0	0	0	0	0	0	0	0	0	0	0	(1)	1	1
KEIP / KERP	0	0	0	(6)	0	6	0	0	0	0	(3)	(3)	(6)	(3)	3
Credit Card Holdbacks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PTO	(5)	0	5	(1)	0	1	(0)	0	0	(2)	0	2	(8)	0	8
IP Royalty Payments	0	0	0	(16)	0	16	0	0	0	0	0	0	(16)	0	16
Bankruptcy Related Disbursements	(\$19)	\$0	\$19	(\$33)	0	\$33	(\$10)	0	\$10	(\$12)	(3)	\$9	(\$75)	(\$3)	\$72
Cash Interest	(\$3)	(\$13)	(\$10)	(\$3)	(2)	\$1	(\$3)	(2)	\$1	(\$3)	(4)	(\$1)	(\$13)	(\$21)	(\$8)
Financing Fees	(0)	(2)	(2)	(0)	0	0	(0)	0	0	(0)	0	0	(0)	(2)	(2)
Professional Fees	0	0	0	0	(4)	(4)	(18)	(1)	17	0	(6)	(6)	(18)	(11)	7
Intercompany Inflows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Non-Operating Disbursements	(\$3)	(\$15)	(\$12)	(\$3)	(6)	(\$3)	(\$22)	(3)	\$18	(\$3)	(10)	(\$6)	(\$31)	(\$34)	(\$3)
Net Cash Flows before Financing	(\$61)	(\$41)	\$19	(\$39)	(20)	\$19	(\$60)	(38)	\$22	(\$41)	(41)	\$0	(\$201)	(\$140)	\$61
Financing	\$61	\$60	(\$1)	\$39	199	\$160	\$60	(137)	(\$197)	\$41	51	\$10	201	172	(\$29)
Net Cash Flow	\$0	\$18	\$18	\$0	179	\$179	\$0	(175)	(\$175)	\$0	10	\$10	\$0	\$32	\$32
Beginning Cash	\$0	\$0	\$0	\$0	\$7	\$7	\$0	\$182	\$182	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow Before Financing	(61)	(\$41)	19	(39)	(20)	19	(60)	(38)	22	(41)	(41)	0	(201)	(140)	61
Financing	61	\$60	(1)	39	199	160	60	(137)	(197)	41	51	10	201	172	(29)
Change in Carveout Account	0	(12)	(12)	0	(4)	(4)	0	(7)	(7)	0	(2)	(2)	0	(25)	(25)
Ending Available Cash Balance	\$0	\$7	\$7	\$0	\$182	\$182	\$0	\$0	\$0	\$0	\$8	\$8	\$0	\$8	\$8

Week 16 Budget Variance Report - Commentary

- Actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 16 same store sales (go-forward stores) were negative (12.7%) for FLS and (12.2%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (12.5%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$54mm on post-petition merchandise disbursements in week 16 which is lower than the forecast disbursements by ~\$7mm
- The Company made no critical vendor payments this week
- Other SG&A Disbursements of \$57mm is higher than the weekly budgeted amount of \$43mm
 - The \$57mm of the Other SG&A Disbursements includes \$3.4mm of payments for Home Services and builder distributors customer orders, \$6.1mm in transportation and logistics vendor payments, \$4.8mm in advertising payments, and \$2.5mm to fund Sears Home Improvement
- The Company paid \$4mm of interest and \$6mm of professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 13-16 of the proceeding equaled (\$140mm), which is above the budgeted (\$201mm) for the 4 week period in the 1/11/19 DIP budget

Week 15 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13, 14, and 15 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 15 same store sales (go-forward stores) were negative (9.4%) for FLS and (16.8%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (12.5%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$61mm on post-petition merchandise disbursements in week 15 which is higher than the forecast disbursements by ~\$1mm
- The Company made no critical vendor payments this week
- Other SG&A Disbursements of \$57mm is aligned with the weekly budgeted amount of \$57mm
 - The \$57mm of the Other SG&A Disbursements includes \$2.7mm of payments for Home Services and builder distributors customer orders, \$6.9mm in transportation and logistics vendor payments, \$2.1mm in advertising payments, and \$1.6mm to fund Sears Home Improvement
- The Company paid \$2mm of interest and \$1mm of professional fees during the week

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 12-15 of the proceeding equaled (\$89mm), which is below the budgeted (\$82mm) from the composite of the 11/21/18 DIP budget and 1/11/19 DIP budget for the 4 week period

Week 14 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13 and 14 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 14 same store sales (go-forward stores) were negative (18.9%) for FLS and (11.1%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (15.9%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$60mm on post-petition merchandise disbursements in week 14 which is below the forecast disbursements by ~\$2mm
- The Company made no critical vendor payments this week
- \$15mm payments for accrued post-petition Sparrow rent through January were made during the week
- Other SG&A Disbursements of \$47mm was above the weekly budgeted amount of \$45mm
 - The \$47mm of the Other SG&A Disbursements includes \$2.1mm of payments for Home Services and builder distributors customer orders, \$7.4mm in transportation and logistics vendor payments, \$2.1mm in advertising payments, and \$1.6mm to fund Sears Home Improvement
- The Company paid \$2mm of interest and \$4mm of professional fees during the week

Financing

- The Company drew \$175mm on the Jr. DIP to fund operations and pay down portions of the outstanding Sr. DIP ABL Revolver
- The DIP Term Loan was paid down \$10mm with a Sr. DIP ABL Revolver draw in accordance with the rebalancing provision of the Sr. DIP credit agreement

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 11-14 of the proceeding equaled \$25mm, which is above the budgeted (\$10mm) from the composite of the 11/21/18 DIP budget and 1/11/19 DIP budget for the 4 week period
- The Company ended the week with a \$182mm ending cash balance because proceeds from the Jr. DIP draw and Sears Hometown & Outlets were received after the daily cash sweep on Friday. The remaining cash was swept to Bank of America the next business day

Week 13 Budget Variance Report - Commentary

- The weekly budgeted amounts in the rolling budget variance report through Week 12 are measured against the revised budget submitted to the DIP lenders' financial advisors on 11/21/18
- Week 13 actuals are compared to the DIP budget submitted to the Sr. DIP lenders' financial advisors on 1/11/19

Receipts

- Week 13 same store sales (go-forward stores) were negative (16.6%) for FLS and (12.1%) for Kmart versus adjusted prior year sales for a total combined adjusted same store sales comp of negative (14.9%)
- Additionally, total receipts exclude pass-through items such as: Western Union, Sales Tax, and Royalties

Disbursements

- The Company spent \$64mm on post-petition merchandise disbursements in week 13 which is below the forecast disbursements by ~\$3mm
- The Company made no critical vendor payments this week
- Other SG&A Disbursements of \$54mm was above the weekly budgeted amount of \$44mm
 - The \$54mm of the Other SG&A Disbursements includes \$2.8mm of payments for Home Services and builder distributors customer orders, \$6.7mm in transportation and logistics vendor payments, \$2.5mm in advertising payments, and \$1.9mm to fund Sears Home Improvement
- The Company paid \$13mm of interest during the week and \$2mm of financing fees
- The Company paid no professional fees during the week

Financing

- The Company drew \$100mm on the Jr. DIP to fund operations and pay down \$40mm of the outstanding Sr. DIP ABL Revolver

Net Cash Flow

- Net cash flow before financing for the rolling four week period of weeks 10-13 of the proceeding equaled \$123mm, which is well above the budgeted \$3mm
- The Company ended the week with a \$7mm ending cash balance because proceeds from Sears Hometown & Outlets were received after the daily cash sweep on Friday. The remaining cash was swept to Bank of America the next business day

Merchandise Vendor Schedule

(\$ in million)

Post-petition Merchandise Disbursements Weeks 13-16	
Vendor	Disbursements
Home Services	\$25.2
Whirlpool	22.7
LG HA	22.4
EMA	21.0
Cardinal Health	11.9
Samsung	5.1
Winiadaewoo Electronics	3.8
Waterloo Industries	3.8
Cardinal Industries	3.6
MTD	2.9
MKK Enterprises	2.4
Wolverine Worldwide	2.3
Levi	2.1
P&G	2.0
Michelin	1.9
Global Brands Group	1.6
Children's Apparel Network	1.5
Lavish	1.2
Kimberly Clark	1.1
Nestle Purina	1.1
Top 20 Post-petition Vendors	\$139.8
(+) Other	99.3
Total Post-petition Merchandise Disbursements	\$239.1

- The Company made ~\$239mm in payments for post-petition merchandise during budget weeks 13-16
 - Home appliance vendors continue to receive a significant portion of disbursements
 - Post-petition merchandise payables equaled \$76mm at the end of the week

Non-Merchandise Category Schedule

(\$ in millions)

	Other SG&A Disbursements Detail					Notes
	Week 13	Week 14	Week 15	Week 16	Total	
BofA Checks	\$ (7.1)	\$ (3.6)	\$ (7.3)	\$ (17.7)	\$ (35.7)	Issued checks, primarily tax payments
Internal / Other Margin	(2.7)	(6.6)	(3.2)	(3.0)	(15.5)	Home Services logistics and certain contractor payments
Utilities & Telephone	(6.1)	(4.5)	(4.4)	(3.4)	(18.5)	
Outside/Associate/Consulting	(6.7)	(3.9)	(4.4)	(1.5)	(16.5)	Temporary labor
Advertising Expense	(2.5)	(2.1)	(2.1)	(4.8)	(11.4)	
Non-Merch COGS	(2.1)	(1.9)	(1.6)	(1.9)	(7.5)	Licensed businesses including Sears Optical
Equipment Expenses	(4.2)	(4.7)	(3.4)	(2.1)	(14.4)	Payments primarily for truck fuel and truck maintenance
ABD Payments	(2.8)	(2.1)	(2.7)	(3.4)	(11.0)	Franchise and builder distributor appliance network funding
Logistics	(2.0)	(2.7)	(3.2)	(2.4)	(10.3)	Last mile transportation and certain international shipping vendors for delivery of goods
Miscellaneous Exp / (Inc)	(2.6)	(2.5)	(5.6)	(1.3)	(12.0)	
SHP Checks	(1.9)	(1.6)	(1.6)	(2.5)	(7.7)	Funding for Sear Home Improvement
Occupancy Repairs	(0.9)	(1.3)	(1.0)	(1.5)	(4.7)	Building maintenance expense
CheckFreePay	(1.4)	(0.8)	(0.6)	(0.6)	(3.4)	Payments for hunting/fishing licenses, beer & liquor, and lottery
Service Live	(1.1)	(1.3)	(1.3)	(1.1)	(4.8)	Funding for third party Home Services contractors booked through Service Live online platform
Other Disbursements	(0.5)	(0.7)	(4.9)	(3.8)	(9.9)	Miscellaneous expenses such as security services, fire protection maintenance, waste services
Supplies & Postage	(0.4)	(0.4)	(0.2)	(0.3)	(1.3)	Shipping expenses
Insurance Exp	(0.3)	-	(0.2)	(0.3)	(0.8)	
BS Adjustment - AP	0.1	(0.5)	(0.8)	(1.8)	(3.0)	Cash received or paid for reconciliation of vendor inventory receipts
Display Expense	-	-	-	-	-	
CARPACH	(4.7)	(4.7)	(3.7)	(3.7)	(16.8)	Payments to intermodal logistics vendors
P-Card	(3.9)	-	(5.0)	-	(8.9)	Employee procurement credit card payments
India/Israel/GS	-	(0.6)	-	-	(0.6)	Funding for foreign offices
Other SG&A Disbursements	\$ (53.7)	\$ (46.5)	\$ (56.9)	\$ (57.0)	\$ (214.2)	

Exhibit R

From: bgriffith@miiipartners.com
To: [Prakash, Rajat](#); [Riecker, Rob](#); [Joye, Jennifer](#); [Phelan, Robert](#); [mmeghji@miiipartners.com](#); [Trenton Bonnell](#); [cgood@miiipartners.com](#); [eacevedo@miiipartners.com](#); [nweber@miiipartners.com](#); [Avitia-Guzman, Jaqueline](#); [Valentino, Luke](#)
Subject: RE: Cash Receipts Tomorrow
Date: Thursday, February 7, 2019 5:18:50 PM

Enterprise Security Team Alert: This email originated from outside of the organization. Please use caution when opening messages from external sources.

Trent – can you confirm that the cash in the accounts tomorrow will be transferred to the estate accounts based on the cash management protocol that has been developed with EY?

Jenny / Jackie – can you provide the bank account information we will need to start moving money to estate accounts tomorrow?

Thanks

Brian J. Griffith
M-III Partners, LP
212-716-1494

From: Prakash, Rajat <Rajat.Prakash@searshc.com>
Sent: Thursday, February 7, 2019 5:16 PM
To: Brian Griffith <bgriffith@miiipartners.com>; rob.riecker <rob.riecker@searshc.com>; Joye, Jennifer <Jenny.Joye@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; Mohsin Meghji <mmeghji@miiipartners.com>; Trenton Bonnell <tbonnell@miiipartners.com>; Chris Good <cgood@miiipartners.com>; Enrique Acevedo <eacevedo@miiipartners.com>; Nicholas Weber <nweber@miiipartners.com>; Avitia-Guzman, Jaqueline <Jaqueline.Avitia-Guzman@searshc.com>; Valentino, Luke <Luke.Valentino@searshc.com>
Subject: RE: Cash Receipts Tomorrow

Talked to BAML.

They were planning on paying down OldCo DIP \$849.36 M with tomorrow morning's manual sweep. Sine it is a manual sweep, asked them to not sweep.

Ideally that cash could be moved to OldCo bank accounts.

Otherwise, if that cash has to go to NewCo (for reasons unknown to me), NewCo will have to reimburse OldCo.

Thanks,

Rajat Prakash
Sears Holdings Corporation

Treasury
847.286.2288

From: Brian Griffith [<mailto:bgriffith@miiipartners.com>]
Sent: Thursday, February 07, 2019 4:09 PM
To: Prakash, Rajat <Rajat.Prakash@searshc.com>; Riecker, Rob <Rob.Riecker@searshc.com>; Joye, Jennifer <Jenny.Joye@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; mmeghji@miiipartners.com; Trenton Bonnell <tbonnell@miiipartners.com>; cgood@miiipartners.com; eacevedo@miiipartners.com; nweber@miiipartners.com; Avitia-Guzman, Jaqueline <Jaqueline.Avitia-Guzman@searshc.com>; Valentino, Luke <Luke.Valentino@searshc.com>
Subject: RE: Cash Receipts Tomorrow

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Thanks Rajat

Brian J. Griffith
M-III Partners, LP
212-716-1494

From: Prakash, Rajat <Rajat.Prakash@searshc.com>
Sent: Thursday, February 7, 2019 5:07 PM
To: Brian Griffith <bgriffith@miiipartners.com>; rob.riecker <rob.riecker@searshc.com>; Joye, Jennifer <Jenny.Joye@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; Mohsin Meghji <mmeghji@miiipartners.com>; Trenton Bonnell <tbonnell@miiipartners.com>; Chris Good <cgood@miiipartners.com>; Enrique Acevedo <eacevedo@miiipartners.com>; Nicholas Weber <nweber@miiipartners.com>; Avitia-Guzman, Jaqueline <Jaqueline.Avitia-Guzman@searshc.com>; Valentino, Luke <Luke.Valentino@searshc.com>
Subject: RE: Cash Receipts Tomorrow

Let me check with BAML. Will get back

Rajat Prakash
Sears Holdings Corporation
Treasury
847.286.2288

From: Brian Griffith [<mailto:bgriffith@miiipartners.com>]
Sent: Thursday, February 07, 2019 4:06 PM
To: Prakash, Rajat <Rajat.Prakash@searshc.com>; Riecker, Rob <Rob.Riecker@searshc.com>; Joye, Jennifer <Jenny.Joye@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; mmeghji@miiipartners.com; Trenton Bonnell <tbonnell@miiipartners.com>;

cgood@miiipartners.com; eacevedo@miiipartners.com; nweber@miiipartners.com; Avitia-Guzman, Jaqueline <Jaqueline.Avitia-Guzman@searshc.com>; Valentino, Luke <Luke.Valentino@searshc.com>

Subject: RE: Cash Receipts Tomorrow

Enterprise Security Team Alert: This email originated from outside of the organization. Please use caution when opening messages from external sources.

We have delivered the >\$850M on the DIP. We should not have anymore payments made. I thought the manual sweeps were referring to manual sweeps of the regional accounts to get them into a concentration account. From there, we would move them into one of the new operating accounts for the estate.

Please let me know if I am missing something, but it will be post-closing (midnight tonight) and the cash coming in should be to the estate. Let's make sure we have turned off any possible sweeps to the DIP. That would be a major problem.

Should we hop on a call?

Brian J. Griffith
M-III Partners, LP
212-716-1494

From: Prakash, Rajat <Rajat.Prakash@searshc.com>

Sent: Thursday, February 7, 2019 5:03 PM

To: Brian Griffith <bgriffith@miiipartners.com>; rob.riecker <rob.riecker@searshc.com>; Joye, Jennifer <Jenny.Joye@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; Mohsin Meghji <mmeghji@miiipartners.com>; Trenton Bonnell <tbonnell@miiipartners.com>; Chris Good <cgood@miiipartners.com>; Enrique Acevedo <eacevedo@miiipartners.com>; Nicholas Weber <nweber@miiipartners.com>; Avitia-Guzman, Jaqueline <Jaqueline.Avitia-Guzman@searshc.com>; Valentino, Luke <Luke.Valentino@searshc.com>

Subject: RE: Cash Receipts Tomorrow

Importance: High

With regards to the highlighted item below, I thought BAML were doing a manual sweep tomorrow morning with the cash that will show up in the concentration accounts. E&Y had set this up.

What is that paying, if not DIP?

Rajat Prakash
Sears Holdings Corporation
Treasury
847.286.2288

From: Brian Griffith [<mailto:bgriffith@miiipartners.com>]

Sent: Thursday, February 07, 2019 3:59 PM

To: Prakash, Rajat <Rajat.Prakash@searshc.com>; Riecker, Rob <Rob.Riecker@searshc.com>; Joye, Jennifer <Jenny.Joye@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; mmeghji@miiipartners.com; Trenton Bonnell <tbonnell@miiipartners.com>; cgood@miiipartners.com; eacevedo@miiipartners.com; nweber@miiipartners.com; Avitia-Guzman, Jaqueline <Jaqueline.Avitia-Guzman@searshc.com>; Valentino, Luke <Luke.Valentino@searshc.com>

Subject: Cash Receipts Tomorrow

Enterprise Security Team Alert: This email originated from outside of the organization. Please use caution when opening messages from external sources.

Tomorrow the estate should be expecting several large amounts of cash receipts:

1. \$35mm from ESL sale
2. \$[10-12mm] from credit card sales
3. \$[10?mm] from the manual sweeps of the regional banks
4. \$[12mm] from the payment for the cash in stores
5. Did I miss anything?

We need to ensure none of this cash makes it way to paying down the DIP. All of these proceeds need to be moved into one of the new accounts that have been setup by Jackie/Luke and Treasury team.

Can we confirm we have a process to get every dollar available out of the accounts going with NewCo by maybe 2pm CT tomorrow? Who will be managing this process?

Happy to have a call this evening if necessary.

Best Regards,

Brian J. Griffith

M III Partners, LP

Managing Director

130 West 42nd Street, 17th Floor

New York, NY 10036

O: 212 716 1494

M: 917 887 4411

www.miiipartners.com

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Exhibit S

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New York, NY 10006-1470

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F: +1 212 225 3999

clearygottlieb.com

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ROBERT J. RAYMOND	COBREY M. GOODMAN	
SUNG K. KANG	RISHI TUTSHI	
LEONARD C. JACOBY	JANE VANLARE	

February 11, 2019

BY E-MAIL

Ellen Odoner, Esq.
Sunny Singh, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153-0119

Re: Asset Purchase Agreement (as it may be amended, modified or supplemented, the “APA”), dated January 17, 2019, by and among Transform Holdco LLC, Sears Holdings and Sellers

Dear Ellen and Sunny:

On behalf of Transform Holdco LLC (“Buyer”), I write in response to the letter signed by Mohsin Meghji, Chief Restructuring Officer of Sears Holdings, dated February 10, 2019, relating to the timing of the Closing of Buyer’s acquisition of substantially all of the assets of Sears Holdings pursuant to the APA. Capitalized terms used but not defined in this letter are used as defined in the APA.

Mr. Meghji’s letter refers to various discussions among the advisors to Sears Holdings and the Buyer on Friday, February 8, 2019 concerning Sellers’ desire to have closed the transaction on such date. As you know, the APA provides that, unless otherwise agreed by the parties, the Closing shall occur on the third Business Day following satisfaction of the various conditions to Closing (other than those to be satisfied at the Closing itself) – *i.e.*, February 13, 2019. Buyer nonetheless has worked tirelessly to close the transaction prior to the date provided in the APA and shared your disappointment that the Closing was not able to occur last Friday. This was attributable, among other things, to the Approval Order authorizing the transaction not being entered until approximately 3:15 p.m. on Friday afternoon and the need for further discussions with Buyer’s lenders. As you know, the lenders have the right to consent to any decision by Buyer to close earlier than the date provided by the APA.

Odoner, Singh, p. 2

Buyer and its advisors worked diligently through the weekend to be in position to proceed with an early Closing and, as you know, Buyer now expects to be able to do so today.

Please be advised that Buyer, by proceeding with an early Closing, is not waiving any rights under the APA, including, without limitation, any claims for breach by Sellers of their pre-closing covenants and improperly classifying certain reserves of credit card processors as Credit Card Receivables, all of which rights are fully preserved.

Sincerely,

CLEARY GOTTlieb STEEN & HAMILTON LLP


By: 
Sean A. O'Neal, a partner

Exhibit T

In The Matter Of:

IN RE Sears

Holdings

Kunal Kamlani

August 15, 2019

HIGHLY CONFIDENTIAL



HIGHLY CONFIDENTIAL

1

1 UNITED STATES BANKRUPTCY COURT
2 SOUTHERN DISTRICT OF NEW YORK
3 Chapter 11 - Case No. 18-23538 (RDD)
4
5

6 -----x

7 In Re:

8 SEARS HOLDINGS CORPORATION, et al.,
9 Debtor.

10 -----x

11

12

13 HIGHLY CONFIDENTIAL
14 DEPOSITION OF KUNAL KAMLANI
15 NEW YORK, NEW YORK
16 THURSDAY, AUGUST 15, 2019
17
18
19
20
21
22

23 Reported by:

24 S. ARIELLE SANTOS, CCR, CLR

25 JOB NO: 2019-75105

HIGHLY CONFIDENTIAL

2

1

2

New York, New York

3

AUGUST 15, 2019

4

8:30 A.M.

5

6

7

DEPOSITION of KUNAL KAMLANI, held at the
offices of WEIL, GOTSHAL & MANGES LLP, 767 Fifth

8

Avenue, New York, New York, before S. ARIELLE

9

SANTOS, a Certified Court Reporter, Certified

10

Livenote Reporter and Notary Public.

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HIGHLY CONFIDENTIAL

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3

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Attorneys for Unsecured Creditors:

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Bank of America Tower

8

New York, New York 10036

9

212-872-1000

10

BY - JOHN P. KANE, ESQ.

11

Jkane@akingump

12

13

Attorneys for Debtors and Debtors-in-Possession:

14

Sears Holdings Corporation, et al.

15

WEIL, GOTSHAL & MANGES LLP

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767 Fifth Avenue

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New York, New York 10153

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BY - JESSIE B. MISHKIN, ESQ.

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Jessie.mishkin@weil.com

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BY - JARED FRIEDMAN, ESQ.

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Jared.friedman@weil.com

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23

24

25

Kunal Kamani August 15, 2019
HIGHLY CONFIDENTIAL

4

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Jake.rutherford@weil.com

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212-225-2094

BY - LEWIS J. LIMAN, ESQ.
Lliman@cgsh.com

BY - BRIAN P. GIUNTA, ESQ.
Bgiunta@cgsh.com

ATTORNEYS FOR WITNESS:

HOLWELL SHUSTER & GOLDBERG LLP
425 Lexington Avenue
New York, New York 10017
BY - MATTHEW GURGEL, ESQ.
Mgurgel@hsgllp.com

Kunal Kamani August 15, 2019
HIGHLY CONFIDENTIAL

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ALSO PRESENT:

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NICK WEBER, M-III Partners, LP

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KUNAL S. KAMLANI

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BY MS. MISHKIN

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BY MR. LIMAN

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BY MS. MISHKIN

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12

KAMLANI EXHIBITS MARKED - ATTACHED

13

14

Exhibit 1, declaration

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15

16

Exhibit 2, asset purchase agreement

12

17

18

Exhibit 3, e-mail, November 2, 2018

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Exhibit 4, e-mail, January 3, 2019

83

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Exhibit 5, e-mail, October 22, 2018

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Kunal Kamrani August 15, 2019
HIGHLY CONFIDENTIAL

26

1 KUNAL KAMLANI - HIGHLY CONFIDENTIAL

2 Q So was it your
3 understanding that the phrase "to pay
4 down such amounts" referred to the DIP
5 facility amounts?

6 A The phrase "to pay down
7 such amounts" within the context of
8 the sentence refers to any cash within
9 the estate that was not restricted --
10 said another way, legally available --
11 they could be applied to the ABL or
12 junior DIP.

13 Q I am not trying to drive
14 you crazy, but I am going to flip back
15 and forth, so we may come back to
16 this.

17 A Sure.

18 Q Can we take a look back at
19 paragraph 23 of your declaration,
20 which is on page 10 of 46?

21 A You said paragraph 23?

22 Q Yes.

23 A Yes. Okay.

24 (Reviewing.)

25 Q And your first sentence

Kunal Kamalani August 15, 2019
HIGHLY CONFIDENTIAL

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1 KUNAL KAMLANI - HIGHLY CONFIDENTIAL

2 Q Is that a -- it's a Mr.
3 Kamalani term; is that right?

4 MR. LIMAN: Objection to
5 form.

6 THE WITNESS: I am sure
7 other people have used it as
8 well. I am doing my best to
9 describe what available cash
10 meant certainly to me and in my
11 conversations with M-III, and
12 likely Lazard, as to what the
13 spirit of available cash was in
14 this context.

15 The spirit of what
16 available cash meant in this
17 context would be cash available
18 to pay down liabilities. If
19 cash was available to pay down
20 liabilities, it was available.
21 If cash is not available to pay
22 down liabilities, then it wasn't
23 available to anybody, and we
24 shouldn't be entitled to a
25 dollar-for-dollar offset.

**Kunal Kamani August 15, 2019
HIGHLY CONFIDENTIAL**

65

1 KUNAL KAMLANI - HIGHLY CONFIDENTIAL

2 If it is available to pay
3 down liabilities, then we should
4 be entitled to a
5 dollar-for-dollar offset.

6 BY MS. MISHKIN:

7 Q And by "liabilities" in
8 that answer, you mean to pay down the
9 DIP facilities, right?

10 A No. I am referring to the
11 liabilities that the debtors asked us
12 to assume to qualify our bid,
13 specifically 503(b)(9) claims,
14 severance. There may be one other
15 category in there that I am not
16 recollecting at the moment.

17 But those are liabilities
18 that had we not assumed them and
19 somehow a deal had gotten done --
20 which it probably wouldn't, but in
21 this hypothetical, had we not assumed
22 them and a deal had gotten done, if
23 the estate had cash available to them
24 to pay down those liabilities, which
25 they kept because we didn't assume

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2 January 3rd. I don't have the
3 chronology of when the unavailable
4 cash was -- the attribution of that
5 unavailable cash was shared with us.
6 But I suspect it was before this
7 e-mail -- suspect it was before this
8 e-mail.

9 And that allowed us to
10 make the assumption that a hundred
11 million dollars of that 357 million
12 would become available.

13 Q And based on -- your
14 assumption was that a hundred million
15 dollars would become available at some
16 point to pay down the DIP facility,
17 correct?

18 A Yeah. I believe at this
19 time, to put this e-mail in context,
20 there was a discussion between myself
21 and M-III where they maintained that
22 they would not be able to get the DIP
23 balance below \$1.3 billion.

24 As we know sitting here
25 today, we were of the view, based on

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2 information we were looking at, that
3 the DIP balance should be able to get
4 to \$1.2 billion at closing.

5 There were a lot of
6 discussions around the 1.3 and the
7 1.2. It's no coincidence that this
8 hundred million dollars is that
9 differential between the 1.3 and the
10 1.2 we were discussing.

11 The additional part of
12 that conversation was informed by
13 the -- the DIP budgets that came out
14 periodically after October 15th and
15 the variances to those DIP budgets
16 that showed that cash flow before
17 financing activities was consistently
18 ahead -- the actuals were consistently
19 ahead of the budget by tens of
20 millions of dollars, if not well in
21 excess of a hundred million dollars.

22 And so there were multiple
23 data points that we were looking at:
24 The unavailable cash bucket, the fact
25 that the DIP budget was being beaten

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2 by well over a hundred million
3 dollars, and the trend lines in the
4 daily cash flow report that gave us
5 the confidence that the DIP balance,
6 aggregate DIP balance of the closing
7 was probably going to be 1.2 and not
8 1.3.

9 Again, the end result of
10 all of that conversation was, rather
11 than continue to spar over whose
12 forecast was right, was this aggregate
13 DIP shortfall concept.

14 We now know sitting here
15 today, because the closing has
16 occurred, that the DIP balance did, in
17 fact, get down to approximately
18 1.2 billion.

19 Q Let me ask you what would
20 have to happen for that hundred
21 million of cash in unavailable cash
22 bucket to be available to pay down the
23 DIP?

24 MR. LIMAN: Objection to
25 form. Foundation.

Exhibit U

In The Matter Of:

IN RE Sears

Holdings

Rajat Prakash

August 20, 2019



Min-U-Script® with Word Index

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Chapter 11 - Case No. 18-23538 (RDD)

_____ x

IN RE: SEARS HOLDINGS

CORPORATION, et al.,

Debtor.

_____ x

The deposition of RAJAT PRAKASH, called by
the Debtors and Debtors-In-Possession for
examination, pursuant to the Rules of Civil
Procedure for the United States District Courts,
taken stenographically by Sandra L. Rocca, CSR, CRR,
at 3333 Beverly Road, Hoffman Estates, Illinois, on
the 20th of August, 2019, at the hour of 10:00 a.m.

Job No. 2019-75180

Certification No. 084-003435

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appeared on behalf of Transform Holdco.

Also Present:

Mr. Nick Webber, M-III

I N D E X

WITNESS PAGE

RAJAT PRAKASH

EXAMINED BY

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NUMBER MARKED FOR ID

Prakash

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-----------	--------------------------------------	----

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Rajat Prakash - August 20, 2019

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1 That's a regular process. Is that what you meant by
2 discussion?

3 Q Do you remember speaking with anyone about
4 the information to include in the daily cash
5 forecast between the signing of the APA and the
6 closing of the APA?

7 MR. RUTHERFORD: Objection, form.

8 A Yes.

9 Q Who do you remember speaking with about
10 this?

11 A Mo Meghji.

12 Q Tell me about your conversation with
13 Mr. Meghji.

14 MR. RUTHERFORD: Objection, form.

15 A So it was a long time ago. I don't recall
16 the exact conversation, but he had called me and
17 expressed some concern about including the vendor
18 payment delay to meet the first lien requirement,
19 the first bullet.

20 Q What did he say to your recollection?

21 A Yeah, I don't exactly recall the words, but
22 I think it was something along the lines of, we
23 should be careful when putting this in this daily
24 cash flow email because then they might walk away
25 from the deal.

Rajat Prakash - August 20, 2019

52

1 Q Do you remember Mr. Meghji saying anything
2 else in that conversation?

3 A I don't recall the exact words, but I think
4 he gave some interesting -- used some interesting
5 phrases like "that's like putting red meat" or
6 something like that.

7 Q Do you remember exactly what he said with
8 respect to putting red meat?

9 MR. RUTHERFORD: Objection, form.

10 A I don't exactly recall, but I think it was
11 around the same lines. It was like putting red meat
12 and I think they might walk away from the deal,
13 something like that.

14 Q Do you remember when this conversation took
15 place?

16 A It was February 8th, most likely afternoon
17 Central time.

18 Q And why do you think it was on February 8th?

19 A Why do I think? He called me, so I'm not
20 sure. I think the deal wasn't closed, if I were to
21 speculate. It was because the deal had not closed
22 yet.

23 Q And how did this conversation take place?

24 A He called me at my desk.

25 Q So over the phone?

Exhibit V

IN RE: SEARS HOLDINGS CORPORATION, et al.

CHRISTOPHER GOOD

August 28, 2019



Original File 281289.txt

Min-U-Script® with Word Index

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

-----X

3 In Re:

4 SEARS HOLDINGS CORPORATION, et al.,

5 Debtor.

6 Chapter 11 - Case No.: 18-23538 (RDD)

-----X

7
8 450 Park Avenue
New York, New York

9
10 August 28, 2019
9:34 a.m.

11
12 DEPOSITION of CHRISTOPHER GOOD,
13 before Melissa Gilmore, a Shorthand Reporter
14 and Notary Public of the State of New York.

15
16
17
18
19
20
21
22
23 ELLEN GRAUER COURT REPORTING CO., LLC
24 126 East 56th Street, Fifth Floor
New York, New York 10022
212-750-6434
25 REF: 281289

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25 NICK WEBER, M-III

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1 ----- E X H I B I T S (Cont'd) -----

2 GOOD DESCRIPTION FOR I.D.

3 Exhibit 17 E-Mail from Sasha 124

4 Shulzhenko dated

5 November 16, 2018, with

6 attachment

7

8

9 (EXHIBITS TO BE PRODUCED)

10

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1 (Good Exhibit 1, Project Blue Weekly
2 Flash Report (DIP Budget Week 11),
3 January 2, 2019, marked for
4 identification.)

5 (Good Exhibit 2, Project Blue Weekly
6 Flash Report (DIP Budget Week 12),
7 January 9, 2019, marked for
8 identification.)

9 C H R I S T O P H E R G O O D, called as
10 a witness, having been duly sworn by a
11 Notary Public, was examined and testified
12 as follows:
13

14 EXAMINATION BY

15 MR. LIMAN:

16 Q. Good morning, Mr. Good. How are
17 you?

18 A. Well. How are you?

19 Q. Good. So you and I have met before.
20 I've taken your deposition before, correct?

21 A. Yes.

22 Q. And at the beginning of that
23 deposition, I went through a series of rules
24 with respect to a deposition.

25 Do you need me to repeat them?

1 GOOD

2 A. Yes, that would be helpful.

3 Q. Sure. So I'm going to ask questions
4 during the deposition today. I would ask you
5 to just answer the questions that I ask of you.

6 Is that okay?

7 A. Yes.

8 Q. If at any time you don't understand
9 one of my questions, I would ask you just to
10 tell me that you don't understand.

11 Will you do so?

12 A. Yes.

13 Q. If you need a break at any time,
14 just tell me you need a break and I will give
15 you a break as long as there's not a question
16 that's pending.

17 You understand that?

18 A. Yes.

19 Q. Is there any reason why you cannot
20 testify truthfully today?

21 A. No.

22 Q. Now, I'm going to ask the court
23 reporter to -- I'm going to hand to you two
24 exhibits I have asked the court reporter to
25 premark. They are marked Good Exhibit Number 1

1 GOOD

2 and Good Exhibit Number 2.

3 Good Exhibit Number 1 is titled

4 "Project Blue Weekly Flash Report (DIP Budget

5 Week 11)." Good Exhibit Number 2 is titled

6 "Project Blue Weekly Flash Report (DIP Budget

7 Week 12)." Both documents were produced in the

8 course of this litigation.

9 Do you have Good Exhibit Number 1

10 and Good Exhibit Number 2 in front of you?

11 A. Yes.

12 Q. Do you recognize those documents?

13 MS. MISHKIN: Can you just give us a

14 minute to get the copies?

15 MR. LIMAN: Sure. Apologies.

16 A. (Document review.)

17 Q. Why don't I start again.

18 Do you recognize Good Exhibit Number

19 1?

20 A. I recognize the form of the

21 document. I don't recall each week. But,

22 generally, I understand what this is.

23 Q. Okay. And would the same be so with

24 respect to Good Exhibit Number 2?

25 A. Yes.

1 GOOD

2 Q. Can you tell me your general
3 understanding of what Good Exhibit Number 1 and
4 Good Exhibit Number 2 are?

5 A. These are weekly flash reports
6 and/or variance reports as required under the
7 DIP order.

8 Q. And were these documents used by
9 debtors?

10 MS. MISHKIN: Object to form.

11 A. They are produced by the debtors.

12 Q. Okay. For what purpose were they
13 produced?

14 A. They were required under the DIP
15 order.

16 Q. And who were they delivered to?

17 A. The DIP lenders.

18 Q. Did you have an involvement in the
19 production of the documents of the type that
20 are Good Exhibit Number 1 and Good Exhibit
21 Number 2?

22 A. I had very limited involvement in
23 these. There was another team responsible for
24 that.

25 Q. What was your limited involvement?

1 GOOD

2 A. Occasional questions, just given I
3 had spent years on the Sears case.

4 Q. And what other team was involved
5 with the production of these?

6 A. There were around five individuals,
7 give or take a few, but there are around five
8 individuals at M-III who worked also with the
9 company to help produce these reports.

10 Q. Did you have an understanding of the
11 purpose for which these reports were generated?

12 MS. MISHKIN: Objection.

13 A. As I stated earlier, they were
14 required under the DIP order.

15 Q. For what reason?

16 A. The primary reason would be covenant
17 testing.

18 Q. Now, I would ask you to turn to DIP
19 Exhibit Number -- withdrawn -- Good Exhibit
20 Number 1. Would you turn to slide 2 of the
21 document?

22 Let me ask you generally whether you
23 had an understanding that there were
24 discussions with Transform or its
25 representatives about the DIP budget?

1 GOOD

2 MS. MISHKIN: Objection.

3 Are you asking about generally, at
4 the time of this weekly?

5 MR. LIMAN: That's a fair objection.

6 Q. Generally, sir, were there
7 discussions with Transform or its advisors
8 about the DIP budget?

9 A. Yes.

10 Q. Was one of the subjects of the
11 discussions the forecasted level of the DIP at
12 the anticipated time of the closing of a
13 transaction?

14 A. Yes.

15 Q. Were you involved in those
16 discussions?

17 MS. MISHKIN: Object to form.

18 A. I was one of a multitude of people
19 involved in those discussions.

20 Q. Can you tell me generally whether,
21 on the debtors' side, there was an effort made
22 to forecast the anticipated level of the ABL
23 DIP at the time of a closing?

24 A. Can you rephrase the question?

25 Q. Sure. Generally, sir, did the

1 GOOD

2 debtors engage in efforts to forecast the
3 anticipated level of the ABL DIP at the time of
4 a closing of a transaction?

5 MS. MISHKIN: Object to form.

6 A. Generally, we produced a DIP budget,
7 which contained the DIP balance.

8 Q. Okay. And was the -- were the
9 figures that were in Good Exhibit 1 the types
10 of figures that were relevant to forecasting
11 the DIP balance?

12 MS. MISHKIN: Objection.

13 Which figures are we looking at?

14 Q. Why don't you look at slide 2?

15 A. (Document review.)

16 No, not really. This was just the
17 weekly flash. This is not the full DIP budget
18 that had all of the DIP balances.

19 Q. Let me ask you about some of the
20 lines within slide 2 of Good Exhibit Number 1.
21 You see the top says, "Cash variance to
22 budget," in the upper left quadrant?

23 Do you see that?

24 A. Yes. I see that written.

25 Q. Okay. And then below that --

1 GOOD

2 withdrawn.

3 Along the side, next to cash
4 variance to budget, there is a series of
5 columns for different weeks. The first one
6 says week 44.

7 Do you see that?

8 A. Yes, I see week 44.

9 Q. And within that, there's figures for
10 the budget and then actual and variance.

11 Do you see that?

12 A. I see the headers for budget, actual
13 and variance, yes.

14 Q. And do you see that there are then
15 columns after that for week 45, week 46, week
16 47.

17 Do you see that?

18 A. Yes.

19 Q. Is it fair to say what this flash is
20 measuring is the variance of the actual
21 performance to budget with respect to a number
22 of different metrics?

23 A. It compares actual to budget for the
24 metrics listed on the page, yes.

25 Q. The first metric under cash variance

1 GOOD

2 to budget is total operating receipts.

3 What does that represent?

4 A. Represents cash inflows received by
5 the company.

6 Q. And do you know where those figures
7 were drawn from with respect to the actuals for
8 each week?

9 A. They were provided by the treasury
10 team at the company.

11 Q. And then I want to ask you about
12 total operating disbursements, which is a
13 little bit further down.

14 What does that number represent?

15 A. As it says on the page,
16 disbursements to vendors, rent, payroll and
17 other operating disbursements.

18 Q. Where were the actual figures for
19 the total operating disbursements drawn from?

20 A. They were also provided by the
21 treasury team.

22 Q. Okay. Then a little bit further
23 down it says, "Total operating cash flow."

24 Do you see that?

25 A. Yes.

1 GOOD

2 Q. And am I correct that that's just a
3 calculated figure that represents the
4 difference between operating receipts --
5 withdrawn.

6 Is that a figure that represents the
7 difference between total operating receipts,
8 minus total operating disbursements, minus cap
9 ex?

10 A. I didn't compile this. But, yes,
11 that seems fair based upon what I'm seeing on
12 the page.

13 Q. Okay. And then total -- a little
14 bit further down, there's a figure for total
15 non-operating disbursements.

16 Do you know what that reflects?

17 A. Which line again?

18 Q. It's right before net cash flows,
19 before financing.

20 A. Total other non-operating
21 disbursements?

22 Q. Yes.

23 A. Yes, I see the line.

24 Q. What does the total non -- total
25 other non-operating disbursements reflect?

1 GOOD

2 A. It appears to be the four lines
3 above this, from what I'm seeing, even though I
4 did not compile this.

5 Q. Okay. Do you know where those
6 numbers were drawn from?

7 A. I can't be a hundred percent
8 certain.

9 Q. Okay. A little bit below that,
10 there's a line for financing.

11 Do you see that?

12 A. Yes, I do.

13 Q. And does the financing reflect
14 either drawdowns on the -- on the DIP or
15 paydowns of the DIP?

16 MS. MISHKIN: Object to form.

17 A. Once again, I didn't compile the
18 report, but that's what it appears to be, based
19 on what I'm seeing on the page.

20 Q. Okay. Now, sir, if you look at the
21 top of the page, is it fair to say that, with
22 respect to the operating receipts for each of
23 the weeks 44, 45, 46 and 47, the actuals beat
24 the budget for each of those weeks?

25 MS. MISHKIN: Object to form.

1 GOOD

2 MR. LIMAN: I will withdraw and
3 rephrase it.

4 Q. Is it fair to say -- withdrawn.

5 Is it accurate to say that, for each
6 of the weeks, 44, 45, 46 and 47, the actuals
7 were better than the budget?

8 MS. MISHKIN: Object to form.

9 A. Based upon what I'm seeing on the
10 page, that appears to be correct.

11 Q. And would it also be the case, sir,
12 that for each of the weeks, 44, 45, 46 and 47,
13 there was a positive variance for total
14 operating cash flow of actuals over the
15 budgeted amounts?

16 A. Yes, that's what the line says.

17 Q. Now, I want to ask you about the
18 calculation at the bottom of the ending
19 available cash balance.

20 Do you see that?

21 A. Yes, I see the line, yes.

22 Q. It's the very last line on the
23 table, correct?

24 A. Yes, it's the last line on the
25 table.

1 GOOD

2 Q. And is it -- can you just explain to
3 us how the ending available cash balance on
4 this document is calculated?

5 A. I didn't compile the calculation,
6 but it appears to take beginning cash, then the
7 line four lines up, net cash flows before
8 financing, that line, plus beginning cash, plus
9 the financing line above net cash flow, plus
10 the change in the carve-out account, which
11 doesn't appear to be anywhere else on the page.

12 Q. So if we were to look, for example,
13 at week 44, there is -- for both the budgeted
14 amount and for the actual amount, there's a
15 zero beginning cash figure.

16 Do you see that?

17 A. Yes.

18 Q. And then below that there is a
19 figure for cash flow before financing.

20 Do you see that?

21 A. Yes.

22 Q. And for the actuals, the figure is
23 46, correct?

24 A. Yes.

25 Q. And that corresponds with the figure

1 GOOD

2 for net cash flows before financing up above,
3 which is 46?

4 A. It appears to, yes.

5 Q. And that net cash flows before
6 financing is just the difference between the
7 total operating cash flow of 53 and the total
8 non-operating disbursements of 6?

9 MS. MISHKIN: Object to form.

10 Q. Give or take.

11 A. They don't add up exactly, but based
12 upon what I'm seeing on the page, having not
13 compiled the report, that appears to be how it
14 is calculated.

15 Q. And then in order to arrive at the
16 ending available cash balance of \$6 for week
17 44, a figure of 41 is deducted from the figure
18 46.

19 Do you see that?

20 MS. MISHKIN: Object to form.

21 A. It appears to roughly calculate
22 that.

23 Q. That would reflect that the \$6
24 ending available cash balance is a net figure
25 representing the sum of the beginning cash and

1 GOOD

2 cash flow before financing, less what was used
3 to pay down the DIP, correct?

4 A. In that specific instance, that
5 appears to be how it's calculated.

6 Q. Okay. And then just to understand
7 these, in week 45, there is a figure of -- for
8 the actuals, beginning cash of \$6.

9 Do you see that?

10 MS. MISHKIN: Object to form.

11 Q. Withdrawn.

12 What is the beginning cash actual
13 figure for week 45?

14 A. It appears to be 6.

15 Q. And the way this works is that 6 is
16 a carryover from the ending available cash
17 balance for week 44?

18 A. That seems to make sense.

19 Q. And then that beginning cash figure
20 of 6 is applied to the cash flow before
21 financing of 12, and then reduced by 1 million
22 for financing, correct?

23 A. That appears to be what it says,
24 yeah.

25 Q. And then 16 million is paid out to

1 GOOD

2 the carve-out account resulting in an ending
3 cash balance of zero, correct?

4 MS. MISHKIN: Object to form.

5 A. That's what it says, yes.

6 Q. And is it accurate, sir, to say that
7 the figure for the ending available cash
8 balance is a mathematical calculation based
9 upon the figures in these charts -- in this
10 chart?

11 MS. MISHKIN: Object to form.

12 A. It appears to be a calculated cash
13 balance role.

14 Q. The ending available cash balance is
15 not based on the balance in the concentration
16 accounts at a particular moment in time; is
17 that correct?

18 MS. MISHKIN: Object to form.

19 A. I think that's a very broad
20 statement.

21 Can you be more specific?

22 Q. Sir, do you know whether -- is it
23 correct, sir, in putting this chart together,
24 the ending available cash balance, that figure
25 was not drawn from the account statements for

1 GOOD

2 the concentration accounts?

3 MS. MISHKIN: Objection.

4 A. I didn't compile this. I can't be a
5 hundred percent certain or speculate as to
6 where those figures came from.

7 Q. Sir, is it your understanding today
8 that those figures were drawn from the bank
9 statements for the concentration accounts?

10 A. They were provided by the treasury
11 team.

12 Q. Can you answer my question?

13 A. I can't speculate as to how the
14 treasury team did things that we were not privy
15 to.

16 Q. Sir, do you know what I'm referring
17 to when I'm referring to the concentration
18 accounts?

19 A. Yes, I know what the concentration
20 accounts are.

21 Q. What are the concentration accounts?

22 A. They were two bank accounts that
23 Bank of America provided us.

24 Q. Okay. And how were they used?

25 MS. MISHKIN: Object to form.

1 GOOD

2 A. Money came in and out of those
3 accounts.

4 Q. How would money come out of the
5 accounts?

6 A. If we were to disburse cash for,
7 say, payroll.

8 Q. Okay. And how would money go into
9 the accounts?

10 A. If the company collected cash from
11 customers or credit card payments, a multitude
12 of ways.

13 Q. And the debtors had discretion in
14 terms of how much to put into the concentration
15 accounts; is that right?

16 MS. MISHKIN: Objection.

17 A. No.

18 Q. The debtors could pay out
19 obligations to the carve-out account before
20 putting money into the concentration accounts;
21 is that right?

22 A. Can you rephrase the question?

23 Q. Sure. Were the debtors required to
24 put all of their cash flow into the
25 concentration accounts before paying the

1 GOOD

2 carve-out accounts?

3 A. All the cash flow -- all of the
4 incoming cash receipts initially flow into the
5 concentration accounts.

6 Q. That's not completely -- ultimately,
7 it goes into the concentration accounts; is
8 that right?

9 MS. MISHKIN: Objection.

10 A. Ultimately, cash receipts go into
11 the concentration accounts.

12 Q. The way the flow of money works is
13 that cash comes into stores, correct?

14 A. Yes, that's -- well, there is a
15 multitude of ways that money comes into the
16 company.

17 Q. Well, one way is that cash comes
18 into stores?

19 A. One way is the customer pays cash
20 for goods or services in the store.

21 Q. Another way is there might be credit
22 card receipts, correct?

23 A. That is another way.

24 Q. Another way might be there are
25 vendors who pay monies in or people who are

1 GOOD

2 renting properties might pay money into the
3 company, correct?

4 A. Yes, a vendor may pay an allowance.
5 That is one way.

6 Q. Now, with respect to the money that
7 comes in from customers paying cash in stores,
8 do you refer to that as store cash?

9 A. Store cash is typically referred --
10 is cash in the stores.

11 Q. And is there a flow of funds from
12 cash in the stores ultimately to the
13 concentration accounts?

14 A. Some of it, yes.

15 Q. Can you describe for us how that
16 flow of funds works for some of the cash in the
17 stores?

18 MS. MISHKIN: Object to form.

19 A. A customer buys a good with cash.
20 At the end of the day, a couple days a week, a
21 truck from, say, Brinks, picks up the cash.
22 They deposit it in a local bank. The local
23 bank then transfers it to the concentration
24 account.

25 Generally, that's how it works.

1 GOOD

2 Q. Are there exceptions to that flow?

3 A. Sometimes a store might hold some of
4 the cash, depending on how much cash they have.
5 There can be exceptions.

6 Q. Now, if there is -- if a store wants
7 to hold on to cash, how is that decision made?

8 A. I'm not a hundred percent sure how
9 that's made.

10 Q. Do you know, sir, how often there
11 are -- how often trucks will go to a store to
12 pick up cash?

13 A. There's various schedules for
14 various stores.

15 Q. And how do those schedules vary?

16 MS. MISHKIN: Object to form.

17 A. I didn't create the schedules for
18 store cash pickup, but generally could be the
19 volume of cash the store receives.

20 Q. Who determines how often a truck
21 will go to a store in order to pick up cash?

22 A. The treasury team.

23 Q. And then, sir, you said after the
24 trucks will pick up the cash, they are
25 deposited in a local bank; is that correct?

1 GOOD

2 A. I think some of them, yes.

3 Q. Why do you say with respect to some
4 of them, yes?

5 A. There could be a local -- or there
6 could be a Bank of America, for example.

7 Q. Okay. And who determines which bank
8 the armored truck goes to?

9 A. I'm assuming some combination of the
10 pickup company and the treasury team, but I
11 can't be for certain, and I don't really know.
12 I would be speculating.

13 Q. Is there a process by -- withdrawn.
14 Was there a process by which the
15 cash was swept from the local banks into the
16 concentration accounts?

17 A. Can you repeat the question?

18 Q. I'll rephrase it.

19 Was there a process by which cash
20 was moved from the local banks into the
21 concentration accounts?

22 A. They transferred the money to the
23 concentration account.

24 Q. How often would the local banks
25 transfer cash to the concentration accounts?

1 GOOD

2 A. I'm not sure.

3 Q. Was that also up to the treasury
4 department?

5 A. I'm not sure.

6 Q. Do you know who made the decision of
7 how often cash would be transferred from the
8 local banks to the concentration accounts?

9 A. I'm not sure who makes that
10 decision.

11 Q. Did the debtors have the discretion
12 to tell the local banks when to make the
13 transfers to the concentration accounts?

14 MS. MISHKIN: Object to form.

15 A. I'm not sure.

16 Q. Now, sir, with respect to what the
17 ending available cash balance reflects on Good
18 Exhibit Number 1, can I ask you to turn, for
19 example, to week 47?

20 Do you see that?

21 A. Sorry. One more time?

22 Q. Week 47.

23 A. Uh-huh.

24 Q. You see, sir, that there is a figure
25 there under the actuals of \$76 million of cash

1 GOOD

2 flow before financing for week 47?

3 A. Yes.

4 Q. Okay. And then to derive the figure
5 of -- withdrawn.

6 And do you see that, ultimately, the
7 ending available cash balance at the end of
8 week 47 is 35 million?

9 Do you see that?

10 A. That's what it says, yes.

11 Q. Okay. And that figure is derived by
12 taking -- by reducing the 76 million of cash
13 flow for week 47 and reducing it by 35 million
14 that was deposited into the concentration
15 accounts, correct?

16 A. I don't think that's what it says.

17 Q. It's reduced by the -- what do you
18 think that 35 million next to financing
19 reflects?

20 A. The negative 35 million is a paydown
21 of the loan.

22 Q. Into the DIP -- paydown of the DIP;
23 is that right?

24 A. Yes, that appears to be right.

25 Q. Okay. And then after that, there's

1 GOOD

2 a negative change in the carve-out account of
3 6.

4 Do you see that?

5 A. Yes. The line says negative 6 next
6 to change in the carve-out account for week 47.

7 Q. Okay. And what does that reflect?

8 A. A transfer of funds to the carve-out
9 account.

10 Q. And so is it accurate, sir, to say
11 that the ending available cash balance reflects
12 the remainder of cash was available to debtors
13 after paying down the loan by 35 million and
14 transferring 6 million to the carve-out
15 account?

16 A. On this page, it says, yes, 76 minus
17 35, minus 6 is roughly 35.

18 Q. Okay. And if you look on to
19 page 3 -- slide 3, there is a figure for net
20 cash flow.

21 Do you see that?

22 A. I see a section called "Net Cash
23 Flow."

24 Q. And the last line of that, the last
25 two lines say, "The company ended the week with

1 GOOD

2 a 35 million ending cash balance because
3 proceeds from Sears Hometown and Outlets were
4 received after the daily cash sweep on Friday,
5 and the company borrowed 24 million for an
6 insurance payment it did not pay on Friday.
7 The company made the insurance payment and all
8 remaining cash was swept to Bank of America the
9 next day."

10 Do you see that?

11 A. I see that on the page, yes.

12 Q. Can you describe for us what that
13 transaction reflects?

14 MS. MISHKIN: Object to form.

15 A. Which specific transaction?

16 Q. Well, let me ask whether that
17 reflects the fact that the company made a
18 insurance payment of 24 million, and only after
19 making the insurance payment was the remaining
20 cash swept to Bank of America?

21 A. It says, "The company made the
22 insurance payment and all remaining cash was
23 swept to Bank of America."

24 Q. Is it fair to say that reports of
25 these types were generated on a weekly basis by

1 GOOD

2 the debtors and the finance team?

3 A. The debtors produced weekly variance
4 reports.

5 Q. Okay. And I'm just going to have
6 the court reporter mark a number of these and
7 just ask you to identify them for the record.
8 I'm not going to ask you about the contents of
9 them, but we have the -- I will first ask you
10 to identify what is Good Exhibit Number 2 for
11 the record.

12 What is Good Exhibit Number 2?

13 A. Project Blue Weekly Flash Report
14 (DIP budget Week 12), dated February 9, 2019.

15 MR. LIMAN: Hold off on those. We
16 will do those at the end of the
17 deposition.

18 Let me ask the court reporter to
19 mark, as Good Exhibit Number 3, a document
20 entitled "Project Blue Rolling Cash Flow
21 Budget (Week 11)."

22 Q. While my colleague is pulling the
23 document, do you recall, at a previous
24 deposition, I asked you about the debtors'
25 concern about administrative insolvency?

1 GOOD

2 MS. MISHKIN: Objection to form.

3 A. Can I see the transcript?

4 Q. Do you need to see the transcript
5 for me -- to answer that question?

6 A. No. I remember.

7 Q. And do you recall telling me that
8 the debtors were very concerned about
9 administrative solvency?

10 MS. MISHKIN: Objection.

11 A. We were concerned about
12 administrative solvency.

13 Q. And is it correct that the debtors
14 wanted to negotiate a deal that rendered the
15 estate administratively solvent?

16 MS. MISHKIN: Objection to form.

17 A. Yes.

18 Q. Okay. And part of that had to do
19 with a balance on the ABL DIP, correct?

20 A. The balance of the ABL DIP was a
21 closing condition.

22 Q. Okay.

23 (Good Exhibit 3, Project Blue
24 Rolling Cash Flow Budget (Week 11),
25 January 2, 2019, marked for

1 GOOD

2 identification.)

3 Q. Do you recognize Good Exhibit Number
4 3?

5 A. (Document review.)

6 I don't recall it specifically.

7 Q. Was this document shared with
8 Transform?

9 MS. MISHKIN: Object to form.

10 A. I'm not sure.

11 Q. Do you recall, sir, that the debtors
12 were -- you can put that aside. I will refer
13 you to it if need be.

14 Do you recall what DIP balance the
15 debtors were projecting at the time of closing?

16 MS. MISHKIN: Objection.

17 At what time are you asking?

18 Q. Do you recall that -- withdrawn.

19 Do you recall that Transform made a
20 original bid for -- going concern bid for the
21 assets of Sears?

22 MS. MISHKIN: Objection.

23 A. Transform made a bid for the assets
24 of Sears.

25 Q. And the bid that Transform made in

1 GOOD

2 late December was not accepted.

3 Is that accurate?

4 A. As I recall, yes.

5 Q. Okay. And one of the conditions
6 that the debtors insisted on was that, for the
7 bid to be qualified and for ESL to be able to
8 credit bid, the bid would have to leave the
9 estate's position where it could be
10 administratively solvent; is that correct?

11 A. The debtors were very concerned with
12 administrative solvency.

13 Q. And one of the conditions of closing
14 that the buyer insisted on was that the DIP be
15 paid down to a particular level; is that
16 correct?

17 A. It was a closing condition.

18 Q. And when I mention the DIP there,
19 there actually was a senior DIP and a junior
20 DIP; is that right?

21 A. There was a senior and junior DIP.

22 Q. Can you tell me what the difference
23 was between the two of them?

24 MS. MISHKIN: Objection.

25 A. There was a senior DIP provided by

1 GOOD

2 the existing lenders and there was a junior DIP
3 provided by Cyrus.

4 Q. And as part of the -- well,
5 withdrawn.

6 In anticipation of the negotiations
7 with buyers, did debtors try to calculate what
8 the senior DIP balance would be expected to be
9 on the date of an anticipated closing?

10 A. The debtors produced a weekly
11 forecast that included the DIP balances.

12 Q. Okay. And do you recall that, at
13 the time of the negotiations with the sellers,
14 debtors anticipated that the DIP balance on the
15 senior DIP would be approximately 950 million?

16 MS. MISHKIN: Objection to form.

17 A. Can you rephrase the question?

18 MS. MISHKIN: I think you mixed up
19 some of the terms in there.

20 Q. Do you recall what level the debtors
21 forecast that the DIP would be at at the time
22 of an anticipated closing of a transaction with
23 the buyers?

24 MS. MISHKIN: Objection.

25 A. At what time period? The various

1 GOOD

2 forecasts had different balances at different
3 dates.

4 Q. Do you recall a figure of
5 950 million?

6 MS. MISHKIN: Objection.

7 A. From the debtors? From the buyer?
8 From who?

9 Q. From the debtors.

10 A. No.

11 Q. Okay. We can move on from that
12 document.

13 MR. LIMAN: I'm asking the court
14 reporter to mark as -- let's go off the
15 record for a moment.

16 (Discussion off the record.)

17 (Good Exhibit 4, E-Mail, dated
18 January 6, 2019, with attachment, marked
19 for identification.)

20 BY MR. LIMAN:

21 Q. Mr. Good, the court reporter has
22 handed you a document marked Good Exhibit
23 Number 4.

24 Do you recognize that?

25 A. (Document review.)

1 GOOD

2 Yes, I recognize this document.

3 Q. And this was a schedule prepared for
4 discussion with Transform and its
5 representatives; is that right?

6 A. Yes.

7 Q. And the bottom of the cover e-mail
8 refers to a conference call scheduled for
9 Sunday, January 6.

10 Do you see that?

11 A. Yes.

12 Q. And I think you previously told me
13 that you participated in that call.

14 Do you recall participating in that
15 call?

16 A. Yes.

17 Q. Now, what I want to do is direct
18 your attention to the very last two slides in
19 that exhibit, Good Exhibit 4. They are headed
20 "Discussion Materials, Project Blue," and then
21 there's a chart on the following slide which is
22 numbered slide number 1.

23 Do you see those?

24 A. I see slide number 1.

25 Q. Okay. Great. That's exactly where

1 GOOD

2 I want you to be.

3 And what I wanted to ask you is just
4 to -- I want to walk you through the different
5 columns on this table and have you explain
6 them.

7 The first column is listed
8 "Administrative and Other Priority Claims Uses
9 of Value."

10 Do you see that? It's actually
11 "Admin and Other Priority Claims Uses of
12 Value."

13 A. Yes, I see the column header.

14 Q. Okay. And what does that represent?
15 What do the items under that represent?

16 MS. MISHKIN: Objection to form.

17 A. Below it, it shows admin claims and
18 other claims on the page.

19 Q. Is it accurate to say that those
20 represented the claims that would have to be
21 satisfied as part of -- as part of a deal that
22 would result in the debtors being
23 administratively solvent?

24 MS. MISHKIN: Objection to form.

25 A. We didn't prepare this analysis.

1 GOOD

2 M-III did not.

3 Q. Who prepared it?

4 A. This was prepared by Lazard.

5 Q. Do you have an understanding as
6 to -- that the items under the uses of value
7 included the total anticipated administrative
8 claims? Is that right?

9 A. At this point in time, this was an
10 estimate of what administrative and other
11 priority claims would be, as it says on the
12 page.

13 Q. And then the next column that says,
14 "Last ESL value," do you see that?

15 A. Yes. The second column says, "Last
16 ESL value."

17 Q. And do you recall that, prior to the
18 date of this slide, ESL suggested terms of a
19 potential offer it might be willing to make?

20 MS. MISHKIN: Objection.

21 A. ESL had made an offer.

22 Q. And that included, for example, the
23 assumption of 125 million of accounts payable
24 as reflected in the slide?

25 A. I can't recall every specific, but

1 GOOD

2 the slide says they were assuming 125 million
3 of accounts payable at this point in time.

4 Q. And then the next column, "Remaining
5 Claims," it's just the sum of what's left once
6 you subtract the ESL value from the uses of
7 value column, correct?

8 A. I haven't checked all the math, but
9 that appears to be the calculation.

10 Q. Okay. From that, a figure of
11 680 million is derived; is that right?

12 A. We didn't compile this, but the
13 bottom right corner says 680.

14 Q. And then if you look to the last
15 column, it says, "Additional Value Required
16 After Application of Other Sources of Value."

17 Do you see that?

18 A. I see the right-most header that
19 says that.

20 Q. Do you know, sir, what the value was
21 required for?

22 MS. MISHKIN: Object to form.

23 Q. I can rephrase the question if you
24 want.

25 A. Yes, please.

1 GOOD

2 Q. Does that last column reflect the
3 additional value that would be required in
4 order for a bid to satisfy the remaining claims
5 figure of \$680 million?

6 A. That's what it appears to do.

7 Q. Okay. And then there is, under
8 additional value required, there's a series of
9 items.

10 Do you see that it starts with last
11 ESL proposed cash contribution, and it ends
12 with less ship sale proceeds?

13 Do you see that?

14 A. I see those two rows, yes.

15 Q. What do the five items that are
16 listed under additional value required
17 represent as a whole? Can you tell us?

18 MS. MISHKIN: Objection.

19 A. As the page says, it's other sources
20 of potential value.

21 Q. And is it correct those represent
22 other sources of potential value that the
23 debtors would be able to use to meet the
24 administrative and other priority claims,
25 correct?

1 GOOD

2 A. These were estimates of what the
3 debtors may potentially use to satisfy the 680,
4 as it says on the page.

5 Q. Okay. Now, there is a figure there
6 of company cash.

7 You see it says 89 million?

8 A. I see a row that says 89 million,
9 yes.

10 Q. And does that reflect an estimate
11 that the company -- withdrawn.

12 Does that reflect the debtors'
13 estimate that it would have 89 million of
14 company cash that could be used to satisfy the
15 administrative and other priority claims that
16 were anticipated?

17 MS. MISHKIN: Objection.

18 A. Can you rephrase the question?

19 Q. Does the 89 -- withdrawn.

20 Does the 89 million of company cash
21 reflect the sum of cash that the company
22 anticipated it would have that could be used to
23 meet the administrative and other priority
24 claims?

25 MS. MISHKIN: Objection.

1 GOOD

2 A. No.

3 Q. What does the 89 million of company
4 cash reflect?

5 A. A potential source of cash to pay
6 down the DIP, just like the ship sale proceeds,
7 which never came to fruition. It was an
8 estimate based upon an assumption provided to
9 us by ESL. But, unfortunately, that number did
10 not come to fruition, just like the ship sale
11 proceeds never did.

12 Q. You said that the 89 million figure
13 was provided to you by ESL?

14 A. Both ESL and the debtors relied upon
15 a similar source of information for that data
16 point.

17 Q. Well, actually, this is kind of an
18 important point to me.

19 Is it your testimony that somebody
20 from ESL gave the debtors that figure of
21 89 million?

22 A. ESL's estimate was 100 million. The
23 company reviewed their estimate and we went
24 with 89 million.

25 Q. Okay. And how did the company come

1 GOOD

2 up with a figure of 89 million?

3 A. It was provided by the treasury
4 team.

5 Q. Okay. And who from ESL provided the
6 figure of 100 million?

7 A. Kunal Kamalani.

8 Q. Do you have an understanding of what
9 that figure of 100 million was based on?

10 A. His estimate of unavailable cash
11 that he thought could be used to pay down the
12 DIP.

13 Q. And did he give that information
14 directly to you?

15 A. Kunal and some combination of Moelis
16 gave me that information directly.

17 Q. What do you recollect them
18 expressing about how that 100 million could be
19 used? Who said what to you?

20 MS. MISHKIN: Objection to form.

21 A. There was an e-mail between Kunal
22 and I where he suggested that 100 million of
23 unavailable cash could be used to pay down the
24 DIP. But, unfortunately, that ended up not
25 being true.

1 GOOD

2 Q. And when you say 100 million of
3 unavailable cash, was that cash that was in
4 transit and -- do you recall what the source
5 was of that 100 million?

6 A. The primary source of unavailable
7 cash that he suggested was cash in regional
8 banks.

9 Q. Okay. Now, do you see that the sum
10 of the -- of all of the items that are below
11 additional value required leads to an
12 administrative claim backstop requested of
13 335 million.

14 Do you see that?

15 A. I see the line, yes.

16 Q. Okay. Would you agree with me, sir,
17 as to the math that the 680 million represents
18 the sum of all of the remaining claims,
19 including the ABL DIP, and not just the ABL
20 DIP?

21 MS. MISHKIN: Object to form.

22 A. Can you rephrase the question?

23 Q. Sure. I'm happy to.

24 The 689 million figure, do you see
25 that?

1 GOOD

2 A. Yes.

3 Q. And that's -- the chart reflects
4 that the 89 million can be used to offset that
5 680 million.

6 Do you see that?

7 MS. MISHKIN: Objection to form.

8 A. My testimony is based upon context
9 from the deal that I think this takes out of
10 context.

11 Q. I'm just asking about the document.
12 You will have time to talk about conversations.
13 And I am interested in the conversations.
14 Right now, I'm interested in the chart.

15 The chart reflects that the
16 89 million can offset the 680 million; is that
17 right?

18 MS. MISHKIN: Objection to form.

19 A. The numbers on the right-hand side
20 show a positive 680 million and a negative
21 89 million.

22 Q. With the 89 million offsetting a
23 portion of the 680 million, correct?

24 A. The 680 plus the five negative
25 numbers add up to 335 million.

1 GOOD

2 Q. So is the answer to that, yes, that
3 the chart reflects the 89 million offsetting a
4 portion of the 680 million?

5 MS. MISHKIN: Objection to form.

6 A. That is what the chart says.

7 Q. Okay. And the 680 million is
8 comprised, in part, of 100 million with respect
9 to the ABL DIP.

10 Do you see that?

11 A. Yes, it's one of the numbers that
12 sums to the 680.

13 Q. Okay. But it's also comprised of
14 139 million of 503(b)(9) claims, correct?

15 A. I didn't compile the chart, but that
16 is what it shows.

17 Q. And 43 million of severance and
18 employee claims?

19 A. That is what the chart says.

20 Q. With respect to who compiled the
21 chart, would you look down at the legend that
22 says, "source"?

23 A. Yes.

24 Q. And is it accurate that the chart
25 reflects that the source of this was the M-III

1 GOOD

2 projection of administrative and other priority
3 claims?

4 MS. MISHKIN: Objection to the
5 extent you're not going to finish the
6 sentence that you're reading from.

7 MR. LIMAN: Fair enough.

8 Q. It says, "Source, M-III projection
9 of administrative priority claims; ESL
10 proposal."

11 Do you see that?

12 A. Yes, that appears to be what the
13 Lazard team wrote.

14 Q. Okay. And the ESL proposal would
15 reflect the ESL proposal that's reflected in
16 the document, right?

17 MS. MISHKIN: Objection to form.

18 A. It's one of the sources listed.

19 Q. And is it your testimony, sir, that
20 M-III was not the source of the projection of
21 administrative and other priority claims?

22 MS. MISHKIN: Object to form.

23 A. No, that's not my testimony.

24 Q. Is it correct that M-III was the
25 source of the projection of administrative and

1 GOOD

2 other priority claims?

3 A. As I testified, I didn't compile the
4 chart. We helped provide information so Lazard
5 can compile the chart in combination with the
6 company.

7 Q. And did M-III provide the estimate
8 with respect to the administrative and other
9 priority claims?

10 MS. MISHKIN: Objection to form.

11 A. Members of my team did, yes.

12 Q. Okay. Thank you.

13 Now, do you know, sir, what the
14 89 million of company cash, as reflected in
15 this document, was comprised of?

16 A. I don't remember the exact
17 components, but as I testified before, cash in
18 regional banks was the largest component.

19 Q. I take it you have got a memory of
20 the call where this chart was discussed?

21 MS. MISHKIN: Object to form.

22 Q. Withdrawn.

23 Was this chart discussed during the
24 call on January 6?

25 A. Yes.

1 GOOD

2 Q. Okay. And what was discussed about
3 it?

4 A. I didn't personally do the
5 walk-through of this chart, but as I remember,
6 the main point was that we were requesting
7 335 million of value to bridge the
8 administrative claim gap, as it says on the
9 page.

10 Q. Okay.

11 MR. LIMAN: Now, I want to have the
12 court reporter mark, as Good Exhibit 5,
13 the January 9 bid letter from Transform.

14 (Good Exhibit 5, January 9, 2019 Bid
15 Letter from Transform, marked for
16 identification.)

17 Q. Do you recognize Good Exhibit 5?

18 A. (Document review.)

19 Yes, I do.

20 Q. Okay. I direct your attention to
21 page 2 of Good Exhibit Number 5.

22 You see, at the first full sentence
23 of Good Exhibit 5, page 2, it says, "In a
24 schedule shared with buyer's representatives on
25 January 6, 2019, the debtors' estimated cash

1 GOOD

2 available to pay down such outstanding amounts
3 was 89 million."

4 Do you see it says that?

5 A. This sentence refers to amounts that
6 are before the sentence in the paragraph.

7 Q. Correct. But you do see that it
8 says that? I read it correctly?

9 A. Can you read it one more time?

10 Q. Sure. It says, "In a schedule
11 shared with buyer's representatives on
12 January 6, 2019, the debtors' estimated cash
13 available to pay down such outstanding amounts
14 was \$89 million," correct?

15 A. That is what the last sentence of
16 that paragraph says.

17 Q. And then when it refers to "such
18 outstanding amounts," I take it your
19 understanding is that the outstanding amounts
20 refer to the amounts necessary to pay down the
21 first lien, ABL DIP facility, and the debtors'
22 junior DIP facility as reflected in the earlier
23 sentence.

24 A. (Document review.)

25 Can you repeat the question?

1 GOOD

2 Q. What do you believe "such
3 outstanding amounts" refers to?

4 A. The ABL DIP facility and the junior
5 DIP facility.

6 Q. Okay. Now, the schedule shared with
7 buyer's representatives on January 6, 2019, is
8 that the schedule that we were looking at that
9 refers to -- that was marked as Good Exhibit 4?

10 A. (Document review.)

11 The 89 million is the same number.

12 Q. Okay. Thank you.

13 MR. LIMAN: I'm now going to ask you
14 to -- I'm going to ask the court reporter
15 to mark, as Good Exhibit Number 6, a
16 presentation dated January 3. It's
17 attached to an e-mail dated January 4 from
18 Weil Gotshal, headed "Restructuring
19 Committee Meeting Materials."

20 (Good Exhibit 6, E-Mail, dated
21 January 4, 2019, with attached
22 presentation, dated January 3, 2019,
23 marked for identification.)

24 A. I just wanted to clarify my
25 testimony before, that it said the amounts were

1 GOOD

2 net of any cash available to pay down such
3 amounts, and the actual amount ended up being
4 significantly less than that, so...

5 Q. You have got Good Exhibit 6 in front
6 of you.

7 Do you recognize it?

8 A. (Document review.)

9 Q. Do you recognize Good Exhibit 6?

10 A. (Document review.)

11 I recognize the form of this
12 exhibit, but it was updated countless times.

13 Q. I'm going to ask you a couple more
14 questions in a moment, but let me just ask you,
15 with respect to the January 6 call, do you
16 recall anything on that January 6 call telling
17 the representatives from Transform or ESL that
18 the -- that it was debtors' view that the
19 notion of company cash was limited to the
20 amount that was in the concentration accounts?

21 A. No, I don't recall.

22 Q. Okay. And do you recall, at any
23 time, you saying to Transform or any of its
24 representatives that the purpose of the
25 available cash clause in the aggregate DIP

1 GOOD

2 shortfall amount was limited to protecting the
3 buyer in the event the debtors had paid down
4 the senior DIP below 850 million and Bank of
5 America agreed to stop the automatic sweeps and
6 additional cash was swept into the
7 concentration accounts from the regional banks?

8 MS. MISHKIN: Objection to form.

9 A. Can you just break that down?

10 MR. LIMAN: I think there's a
11 probably an easier way to do this. Let me
12 just ask the court reporter to mark, as
13 Good Exhibit Number 7, your declaration in
14 this case.

15 (Good Exhibit 7, Second Supplemental
16 Declaration of Christopher A. Good, marked
17 for identification.)

18 Q. Would you turn to paragraph 5 of
19 Good Exhibit 7?

20 A. Yes.

21 Q. Okay. And do you see that paragraph
22 5 of Good Exhibit 7 refers to your
23 understanding of the function of the available
24 cash clause in the aggregate DIP shortfall
25 amount provision?

1 GOOD

2 A. Yes.

3 Q. My question to you is whether you
4 ever told anybody from Transform or its
5 representatives, prior to January 16, that that
6 was your understanding of the available cash
7 clause in the aggregate DIP shortfall amount
8 provision?

9 A. (Document review.)

10 I can't recall discussing the
11 provision specifically.

12 Q. Do you know of anybody from the
13 debtors or its representatives who told
14 Transform or its representatives that the
15 understanding reflected in paragraph 5 was
16 debtors' understanding?

17 MS. MISHKIN: Objection to form.

18 A. As I remember now, I believe there
19 were conversations where all available cash was
20 to be -- to pay down the DIP, and that's what
21 calculated the shortfall.

22 Q. My question is a little bit
23 different.

24 My question is whether you're aware
25 of any conversations by Transform's --

1 GOOD

2 withdrawn.

3 Are you aware of any conversations,
4 prior to January 16, by debtors'
5 representatives where they said what was
6 reflected in paragraph 5 to debtors --
7 withdrawn. It was a bad question.

8 Are you aware of any conversations,
9 prior to January 16, where debtors'
10 representatives told Transform or its
11 representatives that the function of the
12 available cash clause in the aggregate DIP
13 shortfall amount provision was limited to
14 protecting buyer in the event of one of the two
15 possibilities listed in paragraph 5?

16 MS. MISHKIN: Objection to form.

17 A. I'm unaware.

18 Q. Okay. Now, let me turn you back to
19 Good Exhibit Number 6.

20 These are -- is it correct that the
21 attachment to Good Exhibit 6 is a deck that was
22 presented to members of the restructuring
23 committee?

24 A. Yes, that's what it says.

25 Q. And as reflected in the cover e-mail

1 GOOD

2 dated January 4 at 10:52 a.m., you were a
3 recipient of these slides, correct?

4 A. I was a recipient, yes.

5 Q. Okay. Now, if you turn to slide 1
6 of the attachment, do you see that it is headed
7 "Illustrative Company Sources and Uses Under
8 ESL Bid - Updated January 3, 2019"?

9 A. That is what the header says.

10 Q. Okay. And this deck was prepared a
11 couple days before the deck that we just looked
12 at that was Good Exhibit Number 4, the
13 January 6 remaining value presentation,
14 correct?

15 A. According to the dates of the
16 e-mails, yes, that is correct.

17 Q. And do you see there is a figure
18 with respect to 89 million of other cash that's
19 reflected in the left column of slide 1 of Good
20 Exhibit 6?

21 A. (Document review.)

22 The row labeled "Other Cash"?

23 Q. Yes.

24 A. Yes, I see an 89.

25 Q. Okay. And is that 89 million the

1 GOOD

2 same 89 million as the company cash that was
3 reflected in Good Exhibit Number 4?

4 A. (Document review.)

5 The 89 million appears to be the
6 same figure.

7 Q. And there's a note 3 next to the
8 89 million, correct?

9 A. (Document review.)

10 Yes, there is a note 3.

11 Q. Okay. And the note 3 indicates that
12 the 89 million was based on the company
13 projections of available cash in regional banks
14 at February 1, '19 close.

15 MS. MISHKIN: Objection.

16 Q. Is that correct?

17 A. That's what the footnote says, but
18 that appears to be wrong.

19 Q. Did you know that was wrong at the
20 time this was presented to the restructuring
21 committee?

22 A. The number is correct, but the
23 nomenclature is wrong, as that cash wasn't
24 available to pay down the DIP as we
25 anticipated.

1 GOOD

2 Q. So my question is, at the time that
3 this was presented to the restructuring
4 committee, did you believe that note 3 was
5 wrong?

6 A. I think it's being taken out of
7 context. It could be available in the regional
8 banks, but it wasn't available to pay down the
9 DIP.

10 Q. So when did you -- at the time of
11 the presentation to the restructuring
12 committee, was it your understanding that the
13 89 million in available cash in regional banks
14 was not available to pay down the DIP?

15 A. At the time, it was unclear. We
16 were working tirelessly to make the cash that
17 was unavailable available, but, unfortunately,
18 it didn't come to fruition.

19 Q. And that was something that you came
20 to a realization of at a later point in time;
21 is that correct?

22 A. It was a multi-month process. As
23 the process continued, we realized that that
24 cash was not available to pay down the DIP as
25 Kunal had initially suggested.

1 GOOD

2 Q. And is it correct that you became
3 aware of the fact that that cash would not be
4 available to pay down the DIP after January 16?

5 A. It's hard to recall that
6 specificity.

7 Q. Okay. Now, my question with respect
8 to note 3 is whether the 89 million was a
9 calculation of projections of available cash in
10 regional banks at the February 1 close.

11 A. Can you rephrase the question?

12 Q. I will leave it.

13 So was this chart shared with
14 Transform?

15 A. I can't recall.

16 Q. Okay.

17 MR. LIMAN: I'm going to ask the
18 court reporter to mark, as Good Exhibit 8,
19 a e-mail to Mr. Good, among others, dated
20 January 16, 2019, at 3:55 p.m.

21 (Good Exhibit 8, E-Mail, dated
22 January 16, 2019, with attachment, marked
23 for identification.)

24 Q. Do you recognize Good Exhibit 8?

25 A. (Document review.)

1 GOOD

2 I recognize the form of this deck.

3 I'm not sure if I recognize this specific
4 version.

5 Q. Okay. Do you recognize this as a
6 presentation that was made to the Project Blue
7 restructuring committee?

8 A. That is what the e-mail says.

9 Q. Do you have any reason to doubt that
10 this was presented to the restructuring
11 committee?

12 A. I have no reason to doubt that this
13 was not presented to the restructuring
14 committee.

15 Q. In other words, sitting here today,
16 there is no reason to doubt that the
17 restructuring committee saw this?

18 A. The e-mail went to them, so they
19 must have seen it.

20 Q. Okay. Now, would you turn to slide
21 1 of the presentation? It's headed "Additional
22 Value Required."

23 Can I direct your attention to the
24 column on the right side? Do you see that?
25 And there's figures for company cash available

1 GOOD

2 at close and company cash available post close.

3 Do you see that?

4 A. (Document review.)

5 I do see. I see the two rows.

6 Q. And they sum to 79 million, correct?

7 A. The two amounts add up to

8 79 million.

9 Q. And that's 50 million available at
10 close and 29 million available post close,
11 correct?

12 A. That's what the labels say, but
13 these are estimates, and it was not actually
14 available.

15 Q. Okay. And this 79 million
16 corresponds, correct, to the 89 million that we
17 saw in Good Exhibit Number 4 and Good Exhibit
18 Number 6?

19 MS. MISHKIN: Object to form.

20 A. (Document review.)

21 I'm not sure that it corresponds
22 exactly.

23 Q. There's a change in the projections
24 of available cash between the earlier
25 presentations and this presentation on

1 GOOD

2 January 16, is that fair, from 89 million to
3 79 million?

4 A. (Document review.)

5 You're using the term "available
6 cash." That's not what this represents.

7 Q. There was a change in the
8 projections for company cash from 89 million to
9 79 million by January 16, correct?

10 A. (Document review.)

11 It's unclear, because the prior one
12 said 79 million of regional bank cash and
13 10 million of utility deposits, but then this
14 one has -- the newer version has the utility
15 deposits in the 79.

16 So it's unclear. It's hard for me,
17 sitting here today, to trace these two because
18 there's inconsistencies between the two.

19 Q. Okay. But, as a general matter,
20 what's reflected in Good Exhibit 8 is the
21 projections of company cash, correct?

22 A. (Document review.)

23 They both say company cash.

24 Q. Okay. And there's a projection of
25 50 million of company cash available at close,

1 GOOD

2 correct, on Good Exhibit 8?

3 A. The row says "Company cash available
4 at close," and the number 50.

5 Q. Okay. And if you look to slide 5,
6 there's a breakdown of the company cash; is
7 that right?

8 A. Yes. I didn't compile this, but
9 that is what this slide of the deck says.

10 Q. Who compiled it?

11 A. Lazard put together the actual
12 presentation.

13 Q. It says, "The following provides
14 further detail into the company's projected
15 cash balance at close identified by M-III."

16 Do you see that at the top of slide
17 5?

18 A. Yes, I see that sentence.

19 Q. Who at M-III?

20 A. It's hard to recall specifically,
21 but several members of the team worked with the
22 treasury team to compile this information.
23 Those members were also working to try to make
24 the unavailable cash available.

25 Q. Slide 5 contains a breakdown of the

1 GOOD

2 50 million, right?

3 A. There is a breakdown of 50 million
4 on this slide, yes.

5 Q. And it includes regional bank cash
6 and cash in transit and other items, right?
7 I'm just asking about the chart.

8 A. Yeah, the chart says that.

9 Q. And also, for the post closing
10 amounts, it includes cash in transit and some
11 regional bank cash, correct?

12 A. That's what the chart says, yes.

13 Q. Okay. You can put that down.

14 MR. LIMAN: I'm going to ask the
15 court reporter now to mark, as Good
16 Exhibit 9, an e-mail to you, among others,
17 from a Leena Munjal, M-U-N-J-A-L, dated
18 January 17. The subject is "Daily
19 Touchbase on Close Metrics."

20 (Good Exhibit 9, E-Mail, dated
21 January 21, 2019, with attachment, marked
22 for identification.)

23 Q. While my colleague is pulling the
24 document, do you know what the daily touchbase
25 on close metrics was?

1 GOOD

2 MS. MISHKIN: Object to form.

3 A. Can I get the document?

4 Q. (Handing.) I withdraw my prior
5 question.

6 What is Good Exhibit 9?

7 A. (Document review.)

8 It's a reply to a meeting invite for
9 a call on Thursday, January 17.

10 Q. And the subject is "Daily Touchbase
11 on Close Metrics," correct?

12 A. Yes.

13 Q. What was the daily --

14 MS. MISHKIN: I'm sorry. Do I have
15 the right -- no, I do have the right one.

16 I was confused. Thanks.

17 Q. What was the daily touchbase on
18 close metrics?

19 A. It was a call with M-III and the
20 company to track the closing conditions.

21 Q. Did the calls occur on a regular
22 basis?

23 MS. MISHKIN: Objection.

24 A. Yes.

25 Q. Do you recall when the calls first

1 GOOD

2 started?

3 A. Sometime after we signed the APA.

4 Q. And did they continue till the APA
5 was closed, the transaction was closed?

6 A. My memory is a little fuzzy, but,
7 yes, I believe so.

8 Q. How often were the calls?

9 A. I don't know exactly how often the
10 calls took place. The idea was to do it daily.

11 Q. Did you participate in the calls?

12 A. Sometimes. Not all the time.

13 Q. Did representatives of the finance
14 team attend?

15 A. Yes.

16 Q. Did that include Mr. Riecker?

17 A. Yes.

18 Q. Did Mr. Meghji attend?

19 A. I'm not sure.

20 Q. Did anybody from Transform or ESL
21 attend these meetings?

22 A. Not that I'm aware of.

23 Q. And do you see that there is,
24 attached to Good Exhibit 9, a document labeled
25 "Transform Transaction Weekly Tracking,

1 GOOD

2 January 18, 2019"?

3 A. That's what the slide says, yes.

4 Q. Were there similar tracking
5 documents prepared for these calls to what's
6 behind Good Exhibit 9?

7 MS. MISHKIN: Object to form.

8 A. Can you rephrase the question?

9 Q. Sure. I will ask you a different
10 question.

11 Were there materials prepared for
12 the calls to track the closing conditions?

13 A. Yes, materials were prepared.

14 Q. And is the document behind Good
15 Exhibit 9 one of those materials?

16 A. Yes.

17 Q. And do you know whether those
18 materials were sent to Transform or ESL or the
19 representatives at the time of the meetings?

20 A. It's unclear.

21 Q. Who prepared the materials for the
22 meetings on the tracking of closing conditions?

23 A. Members of M-III and employees of
24 the debtors.

25 Q. Did you have an involvement in the

1 GOOD

2 preparation of the materials for the daily
3 calls?

4 A. I would sometimes have input, yes.

5 Q. Do you know how far in advance of
6 the call the materials were prepared?

7 A. I can't recall.

8 Q. Okay. Would you turn to page 2 of
9 the weekly tracking meeting materials behind
10 Good Exhibit Number 9? It says, "Weekly
11 dashboard," if that helps you.

12 A. Yes, I see the weekly dashboard.

13 Q. Okay. And is it correct that the
14 items in -- on the left column include some of
15 the -- include closing conditions that M-III
16 was tracking?

17 MS. MISHKIN: Objection to form.

18 A. Can you repeat the question?

19 Q. Does the left column include closing
20 conditions that M-III was tracking?

21 A. (Document review.)

22 It includes tracking of two of the
23 closing conditions.

24 Q. Which ones?

25 A. The heading "New BB Collateral" and

1 GOOD

2 "DIP".

3 Q. Okay. And under "NWC Assets," was
4 M-III also tracking store cash?

5 A. We were tracking store cash.

6 Q. And specified receivables?

7 A. That is what the page says, yes.

8 Q. And prepaid inventory also?

9 A. Yes.

10 Q. Okay. Were you also tracking
11 accounts payable?

12 A. That is what the page says, yes.

13 Q. Okay. Now, under DIP, you see that
14 there is a reference to the senior DIP being at
15 a level as of January 18 of 946 million.

16 Do you see that?

17 A. That is what it says, yes.

18 Q. Okay. And then it says that the DIP
19 budget, as of February 9, '19, is 970 million.

20 Do you see that?

21 A. The estimate at that point in time
22 for February 9 was 970 million.

23 Q. By the way, what is the significance
24 of the February 9 date?

25 A. The closest week end -- week ended

1 GOOD

2 Saturday per the company's fiscal weeks to
3 where we thought the close would be.

4 Q. Okay. And the delivery target is
5 850 million, and that corresponds to the target
6 as reflected in the APA as of the closing
7 condition, right?

8 A. Implied is what -- closing condition
9 was 1.2 billion.

10 Q. The 1.2 billion was comprised of
11 850 million for the senior DIP and 350 million
12 for the junior DIP; is that right?

13 A. That is what we anticipated.

14 Q. Okay. And is that what you
15 understood also, was the closing condition was
16 850 million for the senior and 350 for the
17 junior DIP?

18 A. Assuming the junior DIP was fully
19 drawn, yes.

20 Q. Okay. Now, there's a footnote 13 on
21 the next slide after the weekly dashboard.

22 Do you see that?

23 A. (Document review.)

24 I see a note 13, yeah.

25 Q. Okay. And that reflects the

1 GOOD

2 understanding that the senior DIP balance of
3 850 million would be required to close based on
4 the assumption of a junior DIP balance of
5 350 million assumed at close.

6 Do you see that?

7 A. That's what it says, yes.

8 Q. It indicates that the balance under
9 850 million will not receive a purchase price
10 adjustment.

11 Do you see that?

12 A. That is what it says, yes.

13 Q. And I take it that was your
14 understanding as well?

15 A. Yes, that was my understanding.

16 Q. Okay. Now, if you flip back to the
17 weekly dashboard, it reflects, with respect to
18 the senior DIP, a shortfall of 120 million; is
19 that right?

20 A. That is what it says in the cushion
21 shortfall column.

22 Q. Okay. And that would represent the
23 difference between the projected senior DIP
24 amount, as of February 9, and the delivery
25 target under the APA of 850 million, correct?

1 GOOD

2 A. Correct.

3 Q. And if I flip to the following page,
4 it says, "Opportunity and actions."

5 Do you see that page?

6 A. Yes, I do.

7 Q. Is it correct that there are pages
8 for opportunities and actions in the materials
9 that were distributed as part of the call on
10 closing metrics?

11 MS. MISHKIN: Object to form.

12 A. It was in this version, yes.

13 Q. Do you know whether it was in other
14 versions as well?

15 A. Some others.

16 Q. Okay. What was the process of
17 preparing the page for opportunity and actions?

18 A. What was the process?

19 Q. Yes.

20 A. Members of my team compiled the
21 different opportunity -- opportunities and
22 actions around the various items we were
23 tracking.

24 Q. Do you know how far in advance of
25 the distribution of the opportunity and actions

1 GOOD

2 that the slide was prepared?

3 A. How far in advance of what?

4 Q. Let me ask you this question.

5 That's a fair criticism.

6 This was distributed on January 17
7 at 10:14 a.m., correct? That's what the e-mail
8 reflects?

9 A. What are you saying?

10 Q. The charts and the materials were
11 disseminated on January 7 and sent out on
12 January 17 at 10:14 in the morning.

13 A. No, that's incorrect.

14 Q. When were the materials distributed?

15 A. Per the timestamp at the top of the
16 e-mail.

17 Q. January 21 at 10:47 -- at 11:47; is
18 that right?

19 A. January 21 at 11:47 a.m.

20 Q. Do you know how far in advance of
21 that this would have been prepared? At least
22 by January 18, correct? I withdraw the
23 question.

24 A. Yeah, that's --

25 Q. Take a look at the opportunity and

1 GOOD

2 actions. There's a row with respect to the
3 senior DIP balance.

4 A. There's three rows, yeah.

5 Q. Okay. And those three rows
6 collectively represent opportunities and
7 actions that could be taken to help bridge the
8 120 million gap that we just looked at; is that
9 right?

10 MS. MISHKIN: Object to form.

11 A. That is what it appears to
12 represent, yes.

13 Q. And there's a reference with respect
14 to 50 million of company cash as one of the
15 actions with respect to bridging the gap of
16 120 million for the senior DIP?

17 A. It is a row listed on the page with
18 the header "Opportunity and Actions."

19 Q. And you are listed as one of the
20 responsible parties, right?

21 A. Yes, I am.

22 Q. What was your responsibility with
23 respect to company cash?

24 A. I oversaw a group of individuals at
25 my firm that worked with the treasury team to

1 GOOD

2 try to sweep cash in regional banks and other
3 sources of cash into the concentration accounts
4 to pay down the DIP.

5 Q. And that 50 million figure does that
6 correspond with the 50 million figure in the
7 January 16 presentation to the restructuring
8 committee?

9 MS. MISHKIN: Object to form.

10 A. That's unclear.

11 Q. Is that where the 50 million figure
12 was drawn from, through this opportunity and
13 actions?

14 MS. MISHKIN: Object to form.

15 A. I can't recall.

16 Q. Do you know of a different source
17 than what's reflected as 50 million in the
18 restructuring committee presentation?

19 MS. MISHKIN: Objection.

20 A. I can't recall of a different
21 source.

22 Q. Okay. And if I could flip back to
23 the restructuring committee presentation. It's
24 Good Exhibit 8. Just take a look at that for a
25 second.

1 GOOD

2 A. Which page?

3 Q. I'm looking at slide 5.

4 A. Okay.

5 Q. There's a reference to
6 trapped/unavailable cash.

7 Do you see that?

8 A. I see a row "Trapped/Unavailable
9 Cash."

10 Q. Do you know what that represented?

11 A. It represented cash that we did not
12 think we could use to pay down or that we would
13 never be able to receive at any point in time,
14 ever.

15 Q. Why?

16 A. It had already been spent. It was
17 an accounting adjustment. It just wasn't real.

18 Q. Is it correct that it also included
19 funds that were committed contractually for
20 other purposes, deposits and the like?

21 A. I'm not sure I understand the
22 question.

23 Q. Did the unavailable cash include
24 cash that would not be available to debtors to
25 use because it was contractually committed to a

1 GOOD

2 third party?

3 A. No, that's not my understanding.

4 Unavailable cash was any cash that
5 was not in the concentration account and able
6 to pay down the DIP.

7 Q. Okay. Is that your reading of that
8 chart, that the unavailable cash, as reflected
9 in Good Exhibit 8, consists of cash that is not
10 in the concentration account?

11 MS. MISHKIN: Objection to form.

12 A. Can you repeat the question?

13 Q. So you just said that unavailable
14 cash, as reflected in Good Exhibit 8,
15 constitutes cash that's not in the
16 concentration accounts.

17 MS. MISHKIN: Objection, misstates
18 his testimony.

19 A. All of this is not in the
20 concentration account, including the available,
21 as it says on this page.

22 Q. Okay. Thank you.

23 Now, if you turn back to Good
24 Exhibit Number 9, was it your intention, at the
25 time of this tracking meeting, to attempt to

1 GOOD

2 collect the cash in regional banks and stores
3 in order to use it to pay down the DIP?

4 A. Can you repeat the question? I'm
5 sorry.

6 Q. I will ask it a different way.

7 In what respect was the company cash
8 a potential action with respect to the DIP
9 balance?

10 MS. MISHKIN: Object to form.

11 A. The cash was unavailable because it
12 was not in the company concentration accounts,
13 and we put significant effort in trying to make
14 the cash available to pay down the DIP.

15 Q. Okay. And, sir, now I'm going to
16 direct your attention to the line for accounts
17 payable. If you flip back to the weekly
18 dashboard, you see that there is a level of
19 177 million as of January 18?

20 A. (Document review.)

21 Yes, I see it on the page.

22 Q. And then a DIP budget of
23 196 million.

24 Do you see that?

25 A. Yes, I see that.

1 GOOD

2 Q. And a delivery target of
3 166 million, correct?

4 A. Yes, I see that.

5 Q. Does that 166 million reflect what
6 you understood would be the amounts of accounts
7 payable, that under the APA, at close,
8 Transform would be required to satisfy?

9 A. Yes, Transform was assuming
10 166 million of accounts payable.

11 Q. And the DIP budget of 196 million,
12 what does that represent?

13 A. The DIP budget forecast of what
14 accounts payable would be at February 9.

15 Q. Okay. And there's a shortfall
16 reflected there of 30 million.

17 What does that reflect?

18 A. Since we were projecting 30 million
19 over 166 million, if that estimate proved to be
20 true, the debtors would have to satisfy
21 30 million of the 196 million as administrative
22 claims.

23 Q. And you are listed as one of the
24 responsible parties with respect to the
25 accounts payable also?

1 GOOD

2 A. I am listed here on the page, yes.

3 Q. And then if you flip to the
4 opportunities and actions, you see that there
5 are -- there's a identified opportunity for the
6 accounts payable of 15 to 30 million; is that
7 right?

8 A. That is what it says, yes.

9 Q. And then the potential actions
10 include decreasing the operating expense; is
11 that right?

12 A. That is what it says.

13 Q. And what was that action? What did
14 that entail?

15 A. Reducing the amount of payables
16 generated by cutting expenses that generate
17 payables.

18 Q. Okay. And it says, "Manage down
19 disputed payables."

20 Do you see that?

21 A. Yes.

22 Q. And it's fair to say what that
23 represented was trying to negotiate down
24 payables they might not actually owe?

25 A. That is a fair assessment.

1 GOOD

2 Q. Okay. And then, just quickly, the
3 next page after the opportunities and actions,
4 there's a reference to the DIP budget.

5 Do you see that?

6 A. On the next page?

7 Q. Yes.

8 A. Yes, I see a reference to the DIP
9 budget.

10 Q. And that has a line item for total
11 liquidity, meaning availability plus cash?

12 A. Row 29?

13 Q. Exactly right.

14 A. Yes, I see the row.

15 Q. And that reflects, it looks like a
16 positive number all the way through?

17 MS. MISHKIN: Object to form.

18 A. At this date, this is what the
19 report says, but it did end up being negative
20 in the second week of -- or the third week of
21 February -- or the second week of fiscal
22 February, as we got closer, yeah.

23 Q. Yeah. And the liquidity is a
24 function of the available cash plus financing
25 that would be available either from the buyer

1 GOOD

2 or otherwise?

3 MS. MISHKIN: Object to form.

4 A. I wasn't very close to this report
5 at the time. It's a little bit difficult for
6 me to opine on it.

7 Q. Okay. And just quickly, the
8 available cash, that, again, is a function of
9 the cash receipts, less operating
10 disbursements, less non-operating disbursements
11 adjusted for financing?

12 MS. MISHKIN: Object to form.

13 A. Are you referring to the exhibit we
14 referred to earlier or --

15 Q. No. I'm just referring to this
16 document.

17 A. Can you repeat the question?

18 Q. My question is whether the
19 calculation for available cash is just a
20 function of your cash receipts plus any
21 carryover available cash, less operating
22 disbursements, less non-operating
23 disbursements, adjusted for financing, either
24 paydowns or drawdowns?

25 A. It's a little hard to follow you, so

1 GOOD

2 I will just read my interpretation.

3 Total cash receipts, minus operating
4 disbursements and cap ex, minus other
5 non-operating disbursements, plus or minus the
6 financing line gets you to net cash flow.

7 What else were you asking about?

8 Q. And then what gets you to the
9 available cash?

10 A. I'm not seeing a row. So there's
11 nothing on this page that shows how you
12 calculate to get to available cash.

13 Q. Okay. I will do it another way.

14 MR. LIMAN: Let me ask the court
15 reporter to mark, as Good Exhibit 10 --

16 THE WITNESS: Can I take a break?

17 MR. LIMAN: Yeah.

18 (Recess taken.)

19 (Good Exhibit 10, E-Mail, dated
20 January 24, 2019, with attachment, marked
21 for identification.)

22 (Good Exhibit 11, E-Mail, dated
23 January 29, 2019, with attachment, marked
24 for identification.)

25 (Good Exhibit 12, E-Mail, dated

1 GOOD

2 January 30, 2019, with attachment, marked
3 for identification.)

4 (Good Exhibit 13, E-Mail, dated
5 February 4, 2019, with attachment, marked
6 for identification.)

7 BY MR. LIMAN:

8 Q. Would you turn back very quickly
9 just to Good Exhibit Number 9, and the page
10 that we were looking at on opportunity and
11 actions with respect to the senior DIP balance?

12 A. I'm on the opportunity and actions
13 page.

14 Q. I think you recall that there was a
15 gap of 120 million with respect to the senior
16 DIP balance that was reflected on an earlier
17 page, correct?

18 A. Yes.

19 Q. Okay. And my question just is, on
20 the assumption that the initiatives listed for
21 118 million, and then for 14 million to
22 28 million under the senior DIP balance, on the
23 assumption that those had been successful, is
24 it correct that you would have been able to
25 bridge the gap without needing the company

1 GOOD

2 cash?

3 MS. MISHKIN: Objection to form.

4 Q. You want me to ask the question
5 again?

6 A. Can you rephrase it?

7 Q. Yeah, absolutely.

8 There is a \$118 million opportunity
9 listed under the senior DIP balance, correct?

10 A. Yes, there is.

11 Q. And a number of different potential
12 actions that could be taken to generate that
13 \$118 million opportunity, correct?

14 A. Yes, there is a variety of actions.

15 Q. And with respect to all of those,
16 there is risk, correct?

17 MS. MISHKIN: Object to form.

18 A. These are opportunities and actions.
19 There is risk associated with achieving these,
20 as they wouldn't be listed as an opportunity,
21 it would be an actual.

22 Q. Okay. And then there is a further
23 identified opportunity of 14 to 28 million
24 associated with a potential action related to
25 First Data proceeds, correct?

1 GOOD

2 A. Yes, that's what it says.

3 Q. Okay. And my question, sir, is had
4 the debtors been able to realize all of the
5 opportunities and actions associated with
6 118 million and with the 14 to 28 million, that
7 would have been sufficient to bridge the gap of
8 120 million without resorting to company cash?

9 A. Mathematically, those numbers add up
10 to over 120 million, but, practically, that's
11 very unreasonable.

12 Q. Okay. What I would like to do is
13 turn -- or ask the court reporter to hand you a
14 document we premarked as Good Exhibit 10. It's
15 a e-mail from Brian Griffith to you, among
16 others, dated January 24.

17 A. (Document review.)

18 Q. Good Exhibit Number 10 is a -- an
19 e-mail attaching weekly tracking materials for
20 the daily touchbase on close metrics, correct?

21 A. (Document review.)

22 It's an attachment that was sent to
23 the same group for the daily touchbase on close
24 metrics. There might be a few more people
25 added, but...

1 GOOD

2 Q. Okay. And this is dated just five
3 days later, January 23, as opposed to
4 January 18, correct?

5 A. (Document review.)

6 Yeah, 18 versus 23, yeah.

7 Q. And if you turn to page 2 of the
8 deck that's headed "Administrative Solvency
9 Tracker," do you see that?

10 A. I see the header "Admin Solvency
11 Tracker."

12 Q. Okay. And there is a revised gap
13 for the ABL DIP of 90 million.

14 Do you see that?

15 A. (Document review.)

16 The header "Revised Gap" shows
17 90 million, yes.

18 Q. Okay.

19 A. For the ABL DIP.

20 Q. Got it. So the gap has gone down
21 from about 120 million to 90 million over that
22 time period.

23 Is that what the records reflect?

24 A. It reflects 90 million here, but the
25 original gap says 100 million.

1 GOOD

2 Q. 100 million being the difference
3 between the 950 of the original estimate and
4 the 850 of ESL's assumed liabilities?

5 A. Yes.

6 Q. Okay. And then it indicates
7 potential mitigating items of 102 million for
8 the -- next to the revised gap of 90 million?

9 A. The potential mitigating items of
10 102 million, yes, I see it.

11 Q. Those are mitigating items that
12 could be used, if you're successful, to close
13 the \$90 million gap.

14 A. That is what it implies.

15 Q. Okay. And then it refers to
16 footnote 3. And then if you look to the page
17 under opportunity and actions, you see -- do
18 you see that page? Flip to that page, if you
19 would for me.

20 A. Page 4?

21 Q. Yep. You see that there are a set
22 of opportunities under the senior DIP balance?

23 A. (Document review.)

24 It shows 88 million of opportunity
25 in one row and 14 to 28 million of opportunity

1 GOOD

2 on another.

3 Q. Okay. And if you take the low end
4 of the -- of the other row, the 14 to 28, that
5 would sum to the 102 million?

6 A. Yes.

7 Q. Okay. And those two items, the
8 88 million and the 14 to 28 million, are
9 similar to the items that we saw in Good
10 Exhibit Number 9; is that right?

11 MS. MISHKIN: Object to form.

12 A. They are presented slightly
13 differently.

14 Q. Okay. There's no reference to
15 company cash as a mitigating item for the
16 senior DIP balance; is that right?

17 A. That is what the page shows.

18 Q. Do you know what happened to the
19 50 million of the opportunity for company cash?

20 A. I do not, but I personally always
21 anticipated the unavailable cash that we were
22 working on moving into the concentration
23 account being used to pay down the senior DIP.

24 Q. Could you turn to page 2, back to 2?
25 That's the administrative solvency tracker,

1 GOOD

2 just for the record, correct?

3 A. The header is "Admin Solvency
4 Tracker."

5 Q. Okay. And if you look under
6 additional value identified, you see there's a
7 reference to an original estimate of
8 50 million?

9 MS. MISHKIN: Objection to form.

10 I was not clear.

11 A. It's a header for labels that aren't
12 numbers.

13 Q. You see there's a header that says
14 "Additional Value Identified"?

15 A. Yes.

16 Q. And there's a figure of 50 million
17 for company cash available at close under
18 additional value identified, correct?

19 A. Yes.

20 Q. Okay. And am I understanding this
21 chart correctly to indicate the view that the
22 50 million could be applied against the --
23 against the admin and other priority claims to
24 address administrative solvency issues?

25 MS. MISHKIN: Object to form.

1 GOOD

2 A. That's out of context. Cash is
3 fungible. It doesn't really matter where it
4 comes from. It just needs to be available at
5 close to pay down the DIP, and every dollar we
6 had on the Friday before close paid down the
7 DIP.

8 So it doesn't matter what line item
9 goes to what. One dollar is a dollar here,
10 dollar there. It's all fungible.

11 Q. So, for example, if you were able to
12 close the gap and bring down the DIP to
13 865 million without the company cash, you would
14 only need 15 million of company cash to achieve
15 the target of 850 million, correct?

16 Is that what you mean by cash being
17 fungible?

18 A. Just a theoretical situation?

19 Q. Yes.

20 A. Mathematically, if there were
21 865 million senior DIP balance and we had
22 15 million of some other source of cash, then
23 that's what we would use it for.

24 Q. You would be able to use it to
25 satisfy the other administrative obligations?

1 GOOD

2 MS. MISHKIN: Objection to form.

3 A. No, because we, unfortunately,
4 weren't able to.

5 Q. Had you been able to -- withdrawn.

6 At the time that this chart was
7 generated listing an identified opportunity of
8 88 million for a series of items ranging from
9 operating receipts to pro rata February rent,
10 do you see that on page 4?

11 A. I see operating receipts and prorate
12 February rent.

13 Q. Okay. In fact, 88 million is
14 comprised of operating receipts, operating
15 disbursements, critical vendors, KCD
16 nonpayment, hurricane proceeds and prorate
17 February rent, correct?

18 A. Those are the six items.

19 Q. Okay. And had you or somebody on
20 your team identified those as potential actions
21 that could generate 88 million of cash?

22 A. I haven't checked the math, but I'm
23 assuming the potential actions you listed add
24 up to 88 million.

25 Q. And had somebody on your team

1 GOOD

2 identified those as potential actions that
3 could be generated to -- to generate 88 million
4 in cash?

5 A. Our team, in combination with
6 employees of the debtors, like Rob Riecker, you
7 know, listed on the responsible parties.

8 Q. Those were items that the debtors
9 and M-III and debtors' representatives were
10 working to achieve, correct?

11 A. The debtors and its representatives
12 were working to achieve all of these actions.

13 Q. Okay. And if they had those -- now,
14 as it turns out, not all of those actions were
15 successful, correct?

16 A. Yes. Which is very reasonable that
17 not everything would be successful. That's why
18 they are opportunities.

19 Q. Right. But if they had been
20 achieved, then the company cash could have been
21 used, in part, to satisfy other administrative
22 obligations, correct?

23 MS. MISHKIN: Objection.

24 A. Had that action have been
25 successful, but it wasn't, just like a lot of

1 GOOD

2 these others weren't successful.

3 Q. Now, is it fair to say, sir, that
4 the reason why company cash is no longer listed
5 as an opportunity with respect to the senior
6 DIP balance was because M-III did not think
7 that, as of January 23, company cash would be
8 necessary to satisfy the gap in the senior DIP
9 balance?

10 A. I can't really opine why it was
11 moved in or out.

12 In my mind, it was always going to
13 be used to pay down the senior DIP, and as you
14 know, we were very close to not making it and
15 needed every dollar.

16 Q. Now, I want to ask the court
17 reporter to show you an exhibit I have marked
18 as Exhibit 11.

19 Exhibit 11 attaches the
20 transaction -- Transform transaction weekly
21 tracking materials for January 25, 2019,
22 correct?

23 A. (Document review.)

24 It says, "Transform Transaction
25 Weekly Tracking as of January 25," yes.

1 GOOD

2 Q. Okay. And if you turn to page 2,
3 the ABL DIP reflects a gap of now 104 million;
4 is that right?

5 A. (Document review.)

6 The revised gap number under ABL DIP
7 on page 2 says 104.

8 Q. Okay. And that was what, at that
9 time, M-III was estimating the gap was that
10 would have to be closed in order to meet the
11 closing condition for the ABL DIP, correct?

12 A. Yes, that appears to be the gap to
13 meet the ABL DIP.

14 Q. Okay. If you look at the same
15 118 -- this 118 million of potential mitigating
16 items for the ABL DIP, correct?

17 A. Yes, I see the 118.

18 Q. On slide 2.

19 And if you look to slide 4, at the
20 bottom of slide 4, there are a series of
21 potential actions that sum up to a range of
22 118 million to -- to 132?

23 A. 132.

24 Q. And listed in those -- in the
25 104 million, you see the line for -- that has a

1 GOOD

2 25 million favorable variance, and then a
3 identified opportunity of 104 million?

4 Do you see that?

5 A. Sorry. Are you on --

6 Q. Under the senior DIP balance.

7 A. Uh-huh.

8 Q. The first row has a identified
9 favorable variance of 25 million and an
10 opportunity of 104 million.

11 Do you see that?

12 A. Yes.

13 Q. Do you know how the 25 million
14 favorable variance was achieved?

15 A. I don't recall the exact breakdown.

16 Q. Okay. Do you have a general
17 understanding of how the 25 million favorable
18 variance was achieved?

19 A. It was more likely than just an
20 opportunity.

21 Q. I don't understand. I'm sorry.

22 A. It was more likely to occur than
23 something that was still in the opportunity
24 bucket.

25 Q. Okay. Do you know what actions

1 GOOD

2 caused the identified favorable variance of
3 25 million?

4 A. I can't recall.

5 Q. Okay. Do you see, under the
6 potential actions associated with 104 million
7 identified opportunity, an accounts payable
8 build of 15 million?

9 A. I see that row, yes.

10 Q. Okay. Do you know, sir, what that
11 represents?

12 A. (Document review.)

13 It's hard to say without having the
14 accounts payable number estimated at this point
15 in time.

16 Q. Let's see if we can figure it out.

17 You see that there is, on the
18 opportunities and actions page, there is a line
19 for accounts payable?

20 Do you see that?

21 A. Yeah, I see an accounts payable
22 line.

23 Q. And there's a figure for an
24 identified favorable variance of 30 million,
25 correct?

1 GOOD

2 A. That's correct.

3 Q. And would that represent that, as of
4 the date of this tracker, January 25, the
5 debtors had already achieved a favorable
6 variance of 30 million, not just an
7 opportunity?

8 A. That is what the document says.

9 Q. Okay. And is it fair to assume that
10 that 30 million was achieved in the ways that
11 the previous deck indicated, which would be to
12 decrease your expenses and to manage disputed
13 payables?

14 A. I'm not sure exactly how that
15 occurred.

16 Q. Do you know of any other way,
17 besides decreasing expenses and managing
18 disputed payables, that the 30 million was
19 achieved?

20 A. Merchandise.

21 Q. Ordering less merchandise? You have
22 to answer verbally and not with a gesture.

23 Is the answer to that, yes, ordering
24 less merchandise?

25 A. (Document review.)

1 GOOD

2 Not necessarily ordering less
3 merchandise, but just for whatever reason, the
4 forecasting numbers, things move around,
5 balances change. I don't know exactly how the
6 balance became lower.

7 Q. So you might forecast fewer
8 purchases in the future, bring down the
9 expenses that way. Is that what you're saying?

10 A. Yeah, there's a litany of reasons
11 why accounts payable moves around.

12 Q. Then there is an additional
13 identified opportunity, 15 million.

14 Do you see that?

15 A. Identified opportunity, 15 million,
16 yes.

17 Q. And that's additional to the
18 30 million of identified favorable variance,
19 correct?

20 A. I'm not sure if they're additive.

21 Q. Well, isn't that how this chart
22 works, that they are additive?

23 MS. MISHKIN: Object to form.

24 A. (Document review.)

25 Q. Look at page 2.

1 GOOD

2 A. (Document review.)

3 Yes, they appear to be additive.

4 Q. Okay. In the potential action
5 associated with that 15 million identified
6 opportunity is manage AP balance based on
7 deliverable under the APA.

8 Do you see that?

9 A. That is the potential action listed.

10 Q. And then it lists, under comments,
11 increase payables to offset the DIP.

12 Do you see that?

13 A. I see that comment, yes.

14 Q. Can you tell me, first of all, how
15 you could manage the AP balance based on
16 deliverable under the APA?

17 A. Can you rephrase the question?

18 Q. What did you understand the
19 commentary, manage AP balance based on
20 deliverable under the APA to mean?

21 A. Transform was assuming 166 million.
22 So we were managing based upon knowing the fact
23 that that's how much they were assuming.

24 Q. Does that mean that you would --
25 withdrawn.

1 GOOD

2 Is it correct that the accounts
3 payable were paid out of the -- out of the DIP?

4 A. Not necessarily.

5 Q. How were the accounts payable paid?

6 A. From the disbursements account.

7 Q. Was the disbursements account part
8 of the concentration account?

9 A. I'm trying to recall if that had one
10 step or two step, but it would either come from
11 the concentration or you'd move it to one
12 account and then it would go out.

13 Q. How was the disbursements account
14 funded?

15 A. Either from cash already sitting in
16 the concentration account or from a drawdown of
17 the DIP.

18 Q. Okay. And so is it accurate to say,
19 sir, that if you -- if you cease paying
20 payables, then the impact would be that you're
21 going to need fewer draws from the DIP, and
22 that you'll be able to put more money into the
23 DIP? It's math.

24 MS. MISHKIN: Object to form.

25 A. If we disburse less, then the DIP

1 GOOD

2 balance would be lower.

3 Q. Okay. And so when it says,
4 "Increase payable to offset DIP," does that
5 mean that if you pay fewer payables, the impact
6 will be that you would have more money
7 available to bridge the gap for the DIP?

8 A. As was guided by Mr. Kamlani, he
9 said to manage working capital into the close
10 to ensure that we hit the closing condition of
11 the DIP balance.

12 Q. Okay. So is the answer to my
13 question yes, or do you need the question
14 again? I will ask the question again, sir.

15 When it says, "Increase payable to
16 offset the DIP," does that mean that if you pay
17 fewer payables, the impact will be that you
18 will have more money available to bridge the
19 gap for the DIP?

20 A. Yes, but we might be on the hook for
21 any overages over the 166 million.

22 Q. And if you are able to decrease
23 the -- withdrawn.

24 If you're able to increase the
25 payables just up to the 166 level, the impact

1 GOOD

2 will be that you'll have more money to bridge
3 the gap for the DIP without assuming any
4 additional liabilities for the debtors?

5 A. In conjunction with guidance with
6 the buyer, that was our viewpoint.

7 Q. Okay. And I'm assuming, sir, that
8 you personally did not think that you were
9 doing anything wrong by increasing payables to
10 offset the DIP?

11 MS. MISHKIN: Object to form.

12 A. I personally was not the one making
13 every decision. That was in conjunction with
14 my team, the debtors, the buyer.

15 Q. Okay. Now, sir, you mentioned
16 Mr. Kamlani a couple of times. I'm going to
17 ask you a specific question, which is whether
18 Mr. Kamlani ever told you that you should stop
19 paying payables in order to be able to meet the
20 closing condition with respect to the DIP.

21 Did he ever tell you that
22 specifically?

23 MS. MISHKIN: Object to form.

24 A. He specifically said to manage
25 working capital around the close to meet the

1 GOOD

2 DIP, of which accounts payable is a portion of
3 working capital.

4 Q. Of which accounts payable is a
5 portion of working capital.

6 Did he make any statements to you
7 about accounts payable?

8 MS. MISHKIN: Objection to form.

9 A. In his e-mail, no, but in
10 conversations with Rob, we talked about working
11 capital generally.

12 Q. Mr. Riecker?

13 A. Yes.

14 Q. My question to you is, the
15 conversations you reference with Mr. Kamlani,
16 where -- when did Mr. Kamlani say to you to
17 manage working capital around the close to meet
18 the DIP?

19 A. It's hard to recall the exact
20 timing, but I believe December.

21 Q. And what precisely do you remember
22 him saying to you?

23 A. I told him, which we voiced
24 consistently, that the DIP balance ESL was
25 assuming that we would hit was too aggressive.

1 GOOD

2 We never -- we had serious concerns about being
3 able to hit the level that Eddie and Kunal and
4 ESL were pushing us towards.

5 And in our conversation, which
6 partially talked about unavailable cash, had
7 been followed up and said, by the way, have you
8 seen the company's daily cash forecast, the DIP
9 balance went up significantly. It was a large
10 number.

11 And he responded, yes, I did see
12 that, acknowledging it was a problem because
13 that may mean managing working capital into the
14 close to make sure that we hit the balance, as
15 we all advocated and wanted to close the
16 transaction. We had worked with Eddie and
17 Kunal for years. And, three, supportive in
18 trying to get there.

19 And we were concerned about our
20 ability to close, and we worked very closely
21 with ESL to make sure we could meet them there
22 on the closing conditions.

23 Q. Is it fair to say that in that
24 conversation -- withdrawn.

25 Was Mr. Lampert present for the

1 GOOD

2 conversation you're remembering?

3 A. No.

4 Q. Just Mr. Kamlani?

5 A. For that conversation, yes.

6 Q. Do you recall Mr. Kamlani, in that
7 conversation, saying I and we think that you
8 can do better than what you are expected to do?

9 A. It was very clear that, at least
10 Eddie expected us to do better than the DIP
11 budget and relied on the company's daily cash
12 forecast, which ended up being a major pitfall
13 of their assumed DIP level.

14 Q. Among other things, what Mr. Kamlani
15 indicated was, because you were beating the
16 budgets with respect to the DIP, he thought
17 that the forecasts were not -- withdrawn.

18 Mr. Kamlani indicated that, because
19 you were beating the budgets with respect to
20 the DIP, that you could -- your forecast for
21 where you would end up was unduly conservative?

22 MS. MISHKIN: Object to form.

23 Q. That's what he indicated, correct?

24 MS. MISHKIN: Object to form.

25 Q. In words or substance?

1 GOOD

2 A. I'm not sure I agree with the word
3 "unduly."

4 Q. How would you put it?

5 A. He thought we were conservative,
6 but, in hindsight, I think we were closer to
7 the truth.

8 Q. Now, sir, how did you -- going back
9 to Exhibit 11.

10 How did you manage the AP balance
11 based on the deliverable under the APA?

12 A. I did not personally manage the AP
13 balance. So it was a group effort.

14 Q. And what did the group do to manage
15 the AP balance?

16 A. Like the comments say on the page,
17 decrease operating expense and I guess these
18 two counteract, but increase payables as well.

19 Q. Okay. And how did the group
20 increase payables?

21 MS. MISHKIN: Object to form.

22 A. The debtors could increase payables
23 by holding payments.

24 Q. Now, I want to direct your attention
25 to Good -- hand you Good Exhibit Number 12.

1 GOOD

2 Good Exhibit Number 12 attaches the
3 weekly tracker for January 30; is that right?

4 A. Yeah, Transform transaction weekly
5 tracker, January 30.

6 Q. And if you turn to the identified --
7 the opportunities and actions, that's page 4,
8 there's a reflection there under accounts
9 payable, the same identified favorable variance
10 of 30 million.

11 Do you see that?

12 A. Yeah, I see 30 million of identified
13 favorable variance under accounts payable.

14 Q. And then there's an opportunity --
15 under identified opportunity for accounts
16 payable, it says "in DIP."

17 Do you see that?

18 A. That's correct.

19 Q. And if you look down to the senior
20 DIP balance, do you see there's a reference to
21 an AP build of 15 million, correct?

22 A. Yes, I see that.

23 Q. Okay. Is it your understanding that
24 the opportunity with respect to the accounts
25 payable is reflected by that AP build of

1 GOOD

2 15 million?

3 A. That is what it appears to say.

4 Q. Okay. Now, I think that's all I've
5 got with respect to this one.

6 I want to now have the court
7 reporter hand you what's been marked as Good
8 Exhibit 13.

9 Good Exhibit 13 has an e-mail, the
10 subject of which is "Daily Touchbase on Close
11 Metrics."

12 A. Are you referring to the document
13 itself?

14 Q. No. The e-mail -- the daily
15 touchbase on close metrics.

16 A. Yeah. The subject?

17 Q. Yeah. And then if you turn to the
18 weekly tracking document, it's dated
19 February 3; is that right?

20 A. The document says February 3, yes.

21 Q. And if we turn to the page 2, the
22 administrative solvency tracker, for the ABL
23 DIP, you see there's a box?

24 A. There is a box around ABL DIP and
25 two other line items.

1 GOOD

2 Q. And am I reading that correctly to
3 indicate that there is a gap of \$33 million for
4 the projected -- net projected DIP balance?

5 A. (Document review.)

6 Did you say a gap?

7 Q. Yes, a gap of 33 million.

8 A. The revised gap was 33 million for
9 net projected DIP balance on this report.

10 Q. And that's after applying 37 million
11 of company cash available at close, correct?

12 MS. MISHKIN: Object to form.

13 A. That is what numbers add up to.

14 Q. Okay. And you see that there is a
15 figure of 60 million in terms of the revised
16 gap for the ABL DIP comprised of 10 million of
17 change and estimates and 30 million of
18 identified variance?

19 A. I see a 10 and a 30, yes.

20 Q. Do you know how the company achieved
21 that 10 and 30, the debtors achieved that?

22 A. I can't recall.

23 Q. Did it achieve it by increasing the
24 payables by holding payments?

25 A. I don't know.

1 GOOD

2 Q. Now, if you look with respect to the
3 accounts payable, do you see that there is now,
4 on page 2, a identified gap of 3 million?

5 A. I see a revised gap of three, yes.

6 Q. Okay. And does that reflect that
7 the projected AP balance at close will be
8 169 million?

9 A. (Document review.)

10 Yes, it appears to have dropped from
11 the original estimate of 196 to 169.

12 Q. Okay. And that means that there's
13 going to be a -- if that balance holds at
14 close, there will be 166 million essentially on
15 Transform's account and 3 million on debtors'
16 account based on your understanding of the APA?

17 A. As Transform agreed to assume 166,
18 we would be on the hook for 3.

19 Q. Okay. And if you turn to the
20 opportunities and actions, there's a reference
21 to --

22 A. This document?

23 Q. Page 5.

24 A. Is this in there? I'm not sure if I
25 have the right page.

1 GOOD

2 MR. LIMAN: Let's go off the record
3 for a second. Make sure we have the right
4 document.

5 (Discussion off the record.)

6 Q. Okay. Do you see there's a
7 reference to maintain current AP?

8 A. Yes.

9 Q. Okay. How was that action going to
10 be achieved?

11 A. You know, only spending what you add
12 to accounts payable.

13 Q. Okay. Now, I want to ask you, back
14 on Exhibit 12, Good Exhibit 12, the action
15 of -- it's on page 4, the action of increasing
16 payables to offset the DIP.

17 Do you see that again?

18 A. Yes.

19 Q. Do you know whether anybody -- did
20 you call up Mr. Kamlani when this action was
21 reflected in the opportunities and actions, and
22 ask him whether that would be permissible?

23 MS. MISHKIN: Objection.

24 A. I know Mr. Meghji and Mr. Kamlani
25 had conversations. We had an e-mail about

1 GOOD

2 network and capital. We sent daily reports
3 talking about how we were managing working
4 capital.

5 There were a significant number of
6 conversations and/or e-mails or reports that
7 were sent reflecting these types of actions.

8 Q. Did you understand my question, what
9 I asked you?

10 MS. MISHKIN: Objection to form.

11 A. I think you're trying to understand
12 if Mr. Kamlani knew that we were managing
13 working capital.

14 Q. No. My question is just, did you
15 have a conversation with Mr. Kamlani where you
16 said to him, we're going to increase payables
17 to offset the DIP?

18 MS. MISHKIN: Objection.

19 A. Mr. Kamlani and I did a -- countless
20 conversations leading up to the close. I can't
21 recall if specifically these exact words were
22 uttered to him, but in so many words, he
23 understood.

24 Q. So my question -- you understand we
25 are taking Mr. Meghji's deposition tomorrow,

1 GOOD

2 correct? Do you understand that?

3 A. Yes.

4 Q. Okay. Now, I'm just asking about
5 you.

6 In the conversations that you had
7 with Mr. Kamlani, did you tell him, we're
8 stopping paying payables that are due in order
9 to meet the DIP closing condition?

10 MS. MISHKIN: Objection, asked and
11 answered.

12 A. As I said before, I can't recall
13 specifically, but there were numerous
14 conversations had, and I'm sure he was aware.

15 Q. But do you recall you personally
16 providing that information to him?

17 MS. MISHKIN: Objection, asked and
18 answered twice.

19 A. As I said, I can't recall
20 specifically.

21 Q. Okay. Thank you.

22 Now, I want to ask the court
23 reporter to mark as -- withdrawn.

24 Do you know, sir, whether this
25 meeting on January 30, was there any discussion

1 GOOD

2 at that meeting about the company's liquidity
3 position on February 14?

4 A. I have no ability to recall that.

5 Q. Okay. And, in fact, do you recall,
6 sir, at the meeting on February -- the
7 meeting -- withdrawn.

8 Was there a meeting on February 3?
9 That's the Sunday.

10 A. A daily touchbase on close metrics?

11 Q. Yes.

12 A. I can't recall.

13 Q. I ask because Exhibit 13 has a date
14 of February 3 attached to it, but the call, it
15 looks like, is February 4 at 11 o'clock.

16 Do you recall whether there was a
17 discussion on the Sunday?

18 A. (Document review.)

19 I can't recall, but the e-mail went
20 out after the 3rd, so...

21 Q. And on the 4th, the call on the 4th,
22 was there any discussion of what the company's
23 cash position would look like on February 14?

24 A. I can't recall specifics from a
25 daily call.

1 GOOD

2 Q. Okay.

3 MR. LIMAN: Now, I'm going to ask
4 the court reporter to mark, as Good
5 Exhibit 14, the e-mail from Rajat Prakash
6 to you, among others, dated Monday
7 February 4.

8 (Good Exhibit 14, E-Mail from Rajat
9 Prakash, dated February 4, 2019, marked
10 for identification.)

11 Q. Did you get this e-mail, sir?

12 A. I'm listed on the e-mail. So, yes,
13 I did receive it.

14 Q. Okay. And Mr. Prakash says, "In
15 order to manage 1L outstanding on February 8,
16 we are delaying certain payments contractually
17 due on February 5, 6, 7 by three business
18 days."

19 Do you see that?

20 A. Yes, under key callouts.

21 Q. What was the significance of the
22 February 8 date?

23 A. That was the anticipated close at
24 that point in time.

25 Q. Okay. And if the payments that were

1 GOOD

2 contractually due -- withdrawn. Payments were
3 made prior to the 8th.

4 Do you have an understanding as to
5 from what account those payments would be made?

6 A. From the disbursement or
7 concentration accounts.

8 Q. With the effect of reducing the
9 monies available to satisfy the DIP, correct?

10 MS. MISHKIN: Objection to form.

11 A. It would increase net availability
12 or reduce the balance of the DIP.

13 Q. Okay. And if you delay by three
14 business days, at that point, am I correct in
15 understanding that your understanding was that
16 the -- that the AP would then be on the account
17 of the -- of Transform?

18 MS. MISHKIN: Object to form.

19 A. That's unclear.

20 Q. That's unclear because it's unclear
21 whether the AP would be above 166 or below?

22 A. Yes.

23 Q. If it's below 166, it would have hit
24 the account of Transform simply because it was
25 being delayed by those couple of days, correct?

1 GOOD

2 MS. MISHKIN: Object to form.

3 A. Yes. And we thought it was above
4 166. So we assumed the estate was going to
5 have to honor these payments.

6 Q. And does it refresh your
7 recollection that by managing the 1L
8 outstanding -- withdrawn.

9 Does it refresh your recollection
10 that one way of managing AP at 169 was to delay
11 the payments contractually due on February 5,
12 6, 7?

13 A. I don't think this action had
14 anything to do with the other one you
15 reference.

16 Q. Do you have a reason to think, sir,
17 that if the AP balance was 169 on February 3,
18 that if you had paid down the accounts
19 payable -- withdrawn.

20 Do you have a reason to think that
21 there was -- that there was less than 3 million
22 in AP contractually due for February 5, 6 and
23 7?

24 A. I don't think that the company or
25 our team was considering the AP balance when it

1 GOOD

2 came to managing the DIP balance or future net
3 availability.

4 The company regularly delayed
5 contractual payments to increase net
6 availability which also means reducing your
7 debt.

8 Q. My question, sir, was, was there
9 less than 3 million in AP contractually due for
10 February 5, 6 and 7?

11 MS. MISHKIN: Objection to form.

12 A. I don't know.

13 Q. Okay. And, in fact --

14 MR. LIMAN: Let me ask the court
15 reporter to mark, as Exhibit 15, a e-mail
16 from Jennifer Joye to Brian Griffith and
17 others, including you, dated February 5,
18 2019.

19 (Good Exhibit 15, E-Mail from
20 Jennifer Joye dated February 5, 2019,
21 marked for identification.)

22 A. Okay.

23 Q. Do you see -- do you know who
24 Ms. Joye is?

25 A. Yes.

1 GOOD

2 Q. Is she finance at what was then
3 Sears?

4 A. She works in cash management.

5 Q. Right. And she indicates to you
6 that the February 4 true-up indicates that
7 there was 9.149 million of AP ACH not
8 processed.

9 Do you see that?

10 A. (Document review.)

11 I'm not super close to this process,
12 as you don't see me replying in this e-mail
13 chain, but I see the sentence or phrase AP ACH
14 not processed for approximately 9 million.

15 Q. Doesn't that indicate to you that
16 just for February 4 alone, that there was
17 9 million of AP that was contractually due that
18 was not processed and paid?

19 MS. MISHKIN: Objection.

20 A. I'm not sure that all of it was
21 contractually due.

22 Q. Okay.

23 MR. MOLONEY: Why don't we take a
24 five-minute break? I think we're just
25 about at the end.

1 GOOD

2 MS. MISHKIN: I was going to say I
3 have you at three hours. I may be off by
4 a couple of minutes, if you want to check.

5 MR. LIMAN: Okay.

6 (Recess taken.)

7 (Good Exhibit 16, E-Mail from Cullen
8 Murphy dated December 15, 2018, with
9 attachment, marked for identification.)

10 (Good Exhibit 17, E-Mail from Sasha
11 Shulzhenko dated November 16, 2018, with
12 attachment, marked for identification.)

13 BY MR. LIMAN:

14 Q. I just have approximately two or
15 three questions.

16 First question, sir, is, did you
17 have any conversations with Mr. Kamalani or any
18 representative of Transform about the meaning
19 of the aggregate DIP shortfall amount?

20 A. One night, during the auction, there
21 was a dispute over that item and there were
22 pretty heated discussions with Cleary and
23 Moelis and our side around that amount.

24 Q. And that discussion did not have to
25 do with the definition of available cash; is

1 GOOD

2 that correct?

3 A. It was more about the general
4 provision.

5 Q. And, sir, did you ever have any
6 conversation with Mr. Kamlani or any
7 representative of Transform where you said the
8 only cash that would reduce the aggregate DIP
9 shortfall amount would be cash that, at the
10 moment of closing, physically could be
11 transferred to the DIP lenders?

12 MS. MISHKIN: Objection to form.

13 A. There were conversations, I believe
14 it was around similar to what you said that
15 all -- all available cash would be swept to the
16 DIP balance.

17 Q. No, I'm asking something different.
18 I'm asking about the interpretation of the
19 contractual language.

20 My question is, did you have any
21 conversations with Mr. Kamlani where you said
22 that the only net available cash that would
23 reduce the aggregate DIP shortfall amount would
24 be cash that, at the moment of closing,
25 physically could be transferred to the DIP

1 GOOD

2 lenders?

3 MS. MISHKIN: Objection to form.

4 A. The wording of that is a little
5 tricky.

6 Q. You want me to try it again?

7 A. Yeah.

8 Q. I'll do it in two parts.

9 Did you have any conversations with
10 Mr. Kamlani where you told him what you thought
11 the words "available cash" meant within the
12 context of the DIP shortfall provision?

13 A. I don't believe so with Mr. Kamlani
14 directly.

15 Q. Okay.

16 MR. LIMAN: All I have got, Jessie,
17 is two documents to authenticate,
18 Exhibit 16 and 17. They are both
19 premarked.

20 Q. My only question to you is whether
21 those represent documents that were sent by
22 M-III or debtors' representatives to
23 Mr. Kamlani, 16 and 17?

24 A. (Document review.)

25 So which one are we looking at?

1 GOOD

2 Q. We can look at either one.

3 16, does that reflect a document
4 that you sent to Mr. Gruenbaum at Moelis?

5 A. It appears to be that way. It seems
6 that we're also missing a lot of the e-mail
7 chain.

8 I mean, are you telling me that this
9 document was attached to this e-mail?

10 Q. I am.

11 A. Okay.

12 Q. And in Exhibit 17, is this a
13 document that was sent, to your knowledge, by
14 Weil Gotshal to Mr. Kamalani at M-III's request?

15 A. Yeah, this is from Sasha at Weil to
16 Kunal, et al., yeah.

17 MR. LIMAN: I appreciate your time,
18 sir. Thank you very much.

19 MS. MISHKIN: No questions. Thank
20 you.

21 (Time noted: 1:27 p.m.)

22

23

24

25

A C K N O W L E D G M E N T

STATE OF)

:ss

COUNTY OF)

I, CHRISTOPHER GOOD, hereby certify
that I have read the transcript of my testimony
taken under oath in my deposition; that the
transcript is a true, complete and correct
record of my testimony, and that the answers on
the record as given by me are true and correct.

CHRISTOPHER GOOD

Signed and subscribed to before me

this _____ day of _____, ____.

Notary Public, State of _____

C E R T I F I C A T E

STATE OF NEW YORK)

:ss

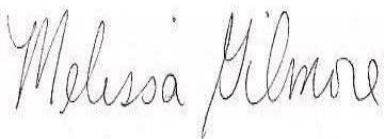
COUNTY OF RICHMOND)

I, MELISSA GILMORE, a Notary Public
within and for the State of New York, do hereby
certify:

That CHRISTOPHER GOOD, the witness
whose deposition is hereinbefore set forth, was
duly sworn by me and that such deposition is a
true record of the testimony given by such
witness.

I further certify that I am not
related to any of the parties to this action by
blood or marriage; and that I am in no way
interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto
set my hand this 30th day of August, 2019.



MELISSA GILMORE

*** ERRATA SHEET ***

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NAME OF CASE: In Re: SEARS HOLDINGS CORPORATION
DATE OF DEPOSITION: AUGUST 28, 2019
NAME OF WITNESS: CHRISTOPHER GOOD

PAGE	LINE	FROM	TO	REASON

Subscribed and sworn before me

this ____ day of _____, 20__.

(Notary Public)

My Commission Expires:

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36 (1)	93:8,16,22	56:13,15,19,22;	8th (1)	
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39:1	53 (2)	72 (1)	68:6;69:24;70:6,15;	
3rd (1)	20:7;53:1	72:1		
118:20				

Exhibit W

IN RE: SEARS HOLDINGS CORPORATION, et al.

MOHSIN MEGHJI

August 29, 2019



Original File 281291.txt

Min-U-Script® with Word Index

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

-----X

3 In Re:

4 SEARS HOLDINGS CORPORATION, et al.,

5 Debtor.

6 Chapter 11 - Case No.: 18-23538 (RDD)

-----X

7
8 450 Park Avenue
New York, New York

9
10 August 29, 2019
8:06 a.m.

11
12 DEPOSITION of MOHSIN MEGHJI, before
13 Melissa Gilmore, a Shorthand Reporter and
14 Notary Public of the State of New York.

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21
22
23 ELLEN GRAUER COURT REPORTING CO., LLC
24 126 East 56th Street, Fifth Floor
New York, New York 10022
25 212-750-6434
REF: 281291

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14 CHRISTOPHER GOOD, M-III

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16

17

18

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4			
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8 Exhibit 16 Declaration of Mohsin Y. 107
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11
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13 (EXHIBITS TO BE PRODUCED)
14
15
16
17
18
19
20
21
22
23
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1 MEGHJI

2 accounts payable was estimated to be
3 \$196 million?

4 MR. GENENDER: Objection, form,
5 asked and answered.

6 A. It doesn't say usual. It just says
7 accounts payable.

8 Q. And what -- what is your
9 understanding of what the \$196 million listed
10 on slide 1, what did that represent?

11 A. It was the estimate of the company's
12 accounts payable as of that date.

13 Q. And looking a few rows down, under
14 the heading "Other," slide 1 shows the ABL DIP
15 as listed as \$950 million, right?

16 A. Yes.

17 Q. And going to the next column over,
18 slide 1 shows that \$850 million was available
19 from Transform to satisfy the ABL DIP, correct?

20 A. Yes. The ABL DIP balance as of
21 January 16 was projected to be 950, and only
22 850 was going to be available from ESL.

23 Q. And that would leave 100 million of
24 the ABL balance for debtors to satisfy?

25 A. Correct.

1 MEGHJI

2 Q. Is that an answer?

3 A. I'm asking you the question.

4 Debtors' cash -- is it a general
5 question that -- whether the debtors' cash
6 could be used to pay down its ongoing
7 liabilities? The answer is yes, obviously.

8 Q. And looking at the right-hand
9 column, the right-most column, the last row
10 lists pro-forma additional value required of
11 \$62 million.

12 Do you see that?

13 A. Yes.

14 Q. So the debtors assumed that -- and
15 debtors assumed that they would be able to -- I
16 will start again.

17 Debtors assumed that they would be
18 able to get that \$62 million to satisfy their
19 claims, correct?

20 A. So let me just read footnote 2. It
21 says, "Requested administrative claim backstop
22 does not include amounts necessary for
23 settlement and release, but is inclusive of
24 restructuring subcommittee support for court
25 order to allow ESL to credit bid claims

1 MEGHJI

2 Q. This is because a provision would
3 give ESL the benefit if debtors exceeded
4 expectations?

5 A. Correct.

6 Q. If debtors performed a dollar better
7 than expected, ESL would realize a benefit?

8 A. We did a lot better than a dollar
9 better.

10 Q. The DIP shortfall provision was a
11 heavily negotiated issue, right?

12 A. Like many things.

13 Q. The DIP shortfall provision was a
14 particularly heavily negotiated provision?

15 MR. GENENDER: Objection, form.

16 A. It was one of the last heavily
17 negotiated items.

18 Q. It was one of the most heavily
19 negotiated items?

20 MR. GENENDER: Objection, form.

21 A. That's your view.

22 Q. Do you disagree?

23 A. No. I think everything with ESL was
24 heavily negotiated and continues to be in a
25 revisionist form.

1 MEGHJI

2 A. Yes. We talked about that. I don't
3 know how that counts as several times. I think
4 that's where it's mentioned.

5 Q. And at the bottom of the page it
6 says, "The committee and the advisors further
7 discussed the DIP shortfall issue."

8 A. Yes. I'm not sure what to make of
9 this.

10 It was discussed. It was a material
11 provision, and it was negotiated. I don't know
12 what else I can tell you.

13 Q. Debtors did not get Transform's --
14 withdrawn.

15 Debtors did not get agreement from
16 Transform to eliminate the DIP shortfall
17 provision from the APA, right?

18 MR. GENENDER: Objection, form.

19 A. The APA speaks for itself.

20 Q. And my question was, did Transform
21 agree to debtors' request to eliminate the DIP
22 shortfall provision?

23 MR. GENENDER: Objection, form.

24 A. It did not.

25 Q. Page 2 of Exhibit 5 includes a

1 MEGHJI

2 target, correct?

3 MR. GENENDER: Objection to form.

4 A. Sorry. That the debtors were
5 worried that they might generate more cash than
6 needed.

7 No, I think most of the concern was
8 around whether we would have a DIP balance that
9 was higher than 850. If you look back at the
10 projections we talked about and, again, our
11 projections were that the DIP balance would be
12 \$950 million a few weeks before.

13 Do you remember that?

14 Q. I do.

15 A. So the risk that the restructuring
16 committee and the debtors were worried about
17 was that the balance would be higher than 850,
18 and so we were working to make sure we could
19 meet that closing condition of staying at 850
20 or below.

21 Q. But at this meeting, on January 16
22 at 11:30 p.m., Mr. Aebersold from Lazard was
23 talking about the risk that debtors would
24 generate more cash than needed to reduce the
25 senior DIP to a maximum of \$850 million at

1 MEGHJI

2 closing and, therefore, trigger the DIP
3 shortfall provision, right?

4 A. Yes. Obviously, because it was not
5 a sort of binary provision, ESL only benefited
6 one way and refused to agree to benefiting the
7 other way.

8 The restructuring committee was
9 concerned to make sure that this would not hurt
10 us. And given the, in my view, the
11 preponderance of the risk was whether we could
12 even get to 850, it wasn't about how much we
13 were going to exceed the 850 by.

14 We explained to them that, really,
15 the most critical issue was getting to the 850
16 and staying below that, not the other way
17 around.

18 Q. But at this meeting, debtors were
19 focused on the risk that they would get the DIP
20 balance below the 850 and, therefore, Transform
21 would realize the benefit.

22 A. And we got over that and the
23 restructuring committee approved it. So there
24 you are.

25 Q. And just to confirm that we are on

1 MEGHJI

2 actions slide, again, looking at the accounts
3 payable item, the potential action is listed as
4 manage AP balance based on deliverable under
5 the APA.

6 What does that refer to?

7 MR. GENENDER: Objection, form.

8 A. Basically, again, I don't think I
9 wrote this myself but my understanding of this
10 is that there was an accounts payable
11 assumption number under the contract, and so it
12 was to be focused on making sure that we were
13 cognizant of that as we manage payables.

14 Q. What do you mean when you say we
15 wanted to be focused on making sure we were
16 cognizant of that as we managed payables?

17 A. Essentially, there was a payable
18 balance. So if you step back and look at the
19 DIP balance, the levers here for cash were you
20 need to hit the DIP balance, and you want to
21 make sure that you're not sort of way offside
22 in terms of how much liabilities are going to
23 be assumed.

24 So really keeping those two -- the
25 most kind of direct impact from cash going out

1 MEGHJI

2 was that it would -- in a period as tight as
3 this was, the DIP balance is affected by what
4 you pay in terms of payables.

5 So those were the two things you had
6 to make sure you were focused on in terms of
7 hitting those two targets or being as close to
8 those two targets to allow the transaction to
9 close, because we were -- ESL was only assuming
10 a set number.

11 Q. And, specifically, how is the DIP
12 balance affected by what you pay?

13 A. Anything you pay hits the DIP
14 balance. If you pay a dollar in accounts
15 payable, it increases the DIP balance by a
16 dollar.

17 Q. And looking at the comments, there
18 is a reference to increase payables to offset
19 DIP.

20 What do you understand by that?

21 A. Increase payables to offset DIP.
22 Basically, if your payables are higher, DIP is
23 lower. If you make a payment, then it reduces
24 accounts payable and increases your DIP
25 balance, and vice versa.

1 MEGHJI

2 Q. And vice versa. Specifically --
3 what do you mean when you say and vice versa?

4 A. If you settle a payable, then it
5 increases your DIP balance.

6 Q. And if you don't make a payable,
7 what happens to your DIP balance?

8 A. You're not using your DIP loan.

9 Q. And how would payables be increased
10 to offset the DIP?

11 MR. GENENDER: Objection.

12 A. I don't know that the word "offset"
13 makes sense to me here, you know, if you're
14 being technical about it, but the DIP was the
15 source of funding, was the only source of
16 funding we had.

17 Q. Well, what is your understanding of
18 increase payables?

19 A. Not pay them.

20 Q. I think you referred to Transform
21 assuming a certain amount of payables.

22 Do you remember how much of the
23 payables Transform was assuming under the APA?

24 A. I believe it was the 166 million,
25 which they also then tried to not assume.

1 MEGHJI

2 trying to twist the facts here. This was a
3 process that a large number of people -- if you
4 count this, there's a significant number of
5 people on this list.

6 What we were trying to do, frankly,
7 with the full understanding of how this process
8 was going to be done by the debtors, the
9 restructuring committee and the buyers, you
10 know, this was not done in some sort of secret
11 place with proposals and decisions like you
12 seem to be implying.

13 This was a process to ensure that,
14 collectively, we were able to hit the targets
15 as set out in the APA where possible.

16 Q. Were you involved in discussions
17 about the process to increase payables to
18 offset the DIP?

19 MR. GENENDER: Objection, form.

20 A. Not that I can recall specifically
21 any discussions around let's go increase
22 payables.

23 My big focus, as a CRO of the
24 company, was first and foremost to hit the two
25 main closing conditions that I recall.

1 MEGHJI

2 One was the DIP balance needs to be
3 below 850 and as close to 850 as possible
4 without triggering anything else.

5 And the second one was hitting
6 the -- this number, even today, is how focused
7 I was on it, 1.553 billion was the inventory
8 number, and there was receivables on top of
9 that.

10 Those were the two critical closing
11 conditions. The buyers were as focused on
12 ensuring that we were focused on that as we
13 were, because, at that point, they were really
14 interested in ensuring that we worked together
15 to get the APA done, consummated and the
16 transaction closed. So that was a key issue.

17 And then beyond that, there were a
18 bunch of other metrics, specified receivables,
19 payables, 503(b)(9) claims, a few other ones,
20 which were, in my mind, secondary because while
21 they would affect our administrative solvency
22 or insolvency, which we were also trying to do,
23 the first and foremost target was let's keep
24 the company as a going concern.

25 Everybody, including the court, had

1 MEGHJI

2 agreed that maximizing value, and for a variety
3 of other reasons, the best and highest option
4 for the company was keep it as a going concern.
5 So that's what we were focused on.

6 I think your characterization that
7 somehow there was a focus on managing payables
8 solely is just wrong.

9 Q. And you were focused on hitting the
10 closing conditions because you wanted the sale
11 to Transform to close?

12 A. I was focused on hitting the closing
13 conditions because that's what the debtors had
14 signed an agreement. It wasn't about my
15 emotional need for anything.

16 It was about we had signed a
17 contract, which had been blessed by the court,
18 and so we were, as fiduciaries for the estate,
19 striving to our utmost best to go and close it.

20 Q. And there is a risk that if debtors
21 did not meet the closing conditions, the sale
22 would not close?

23 A. Yes, there was a significant risk
24 that either ESL would demand concessions that
25 we would have to give or we would be unable to

1 MEGHJI

2 close, and on top of that, I think there was --
3 there was -- the company's liquidity was tight,
4 so it would have basically flipped into
5 liquidation if we didn't close.

6 Q. Do you remember, generally, any
7 discussions about the process of increasing
8 payables to offset the DIP?

9 A. Do I remember generally about the
10 process? No, I don't recall anything more than
11 as we went through and we had meetings almost
12 daily to track these targets, and the levers
13 were, let's hit the closing conditions and make
14 sure we get as close to the other metrics as
15 possible.

16 So I don't think there was -- it
17 seems like you are highly focused on accounts
18 payable. For me, it was just one of the
19 other -- one of the bunch of other metrics we
20 had to do.

21 We didn't spend extra time focusing
22 on that. It just happened to be the one that
23 had the most direct correlation to the DIP
24 balance because when you make payments, it
25 affected the DIP balance most directly.

1 MEGHJI

2 question.

3 Q. You did not speak with Mr. Kamlani
4 about debtors identifying, as an action,
5 increasing payables to offset DIP, correct?

6 MR. GENENDER: Objection, form and
7 misstates testimony.

8 A. Mr. Kamlani received a daily e-mail
9 from the debtors' treasury department showing
10 exactly what payments were going to who and who
11 was getting delayed on a daily basis, and that
12 process never got interrupted. So he was fully
13 aware of what was going on, as did Mr. Lampert.

14 So your client was fully aware of
15 exactly what -- what payables were getting paid
16 and not getting paid and how much was getting
17 paid.

18 Q. And you never discussed with
19 Mr. Kamlani what payables were not getting
20 paid?

21 A. It was not my job to do that. There
22 was a process in place to communicate that.
23 And in the three and a half, four years that I
24 have known Mr. Kamlani, we have talked about a
25 lot of things, but payables hasn't featured in

1 MEGHJI

2 that.

3 So there was no reason to do so,
4 especially when the company had a process for
5 commun- -- an established process, which he was
6 a part of, for communicating that.

7 Q. And you did not speak with
8 Mr. Lampert about what payables were not being
9 paid between the signing of the APA and the
10 closing?

11 A. I did not -- I did not need to speak
12 to them because they were -- they were -- I was
13 fully aware of the fact that they were
14 receiving daily e-mails. There was no need to
15 speak to them. They were getting that
16 information.

17 They did not come to me and said
18 they had a problem. So let's -- just so we're
19 clear, you seem to be alleging that we did not
20 convey that information to them. We did.

21 They never came back and told us
22 there was an issue.

23 Q. So my question was, you never spoke
24 with Mr. Kamlani or Mr. Lampert about
25 withholding payables between the signing of the

1 MEGHJI

2 APA and the closing?

3 MR. GENENDER: Objection, form and
4 repetitious.

5 A. Since I did not withhold payables,
6 there was no reason to speak to them about it.
7 I did not personally withhold any payables, as
8 you allege.

9 Q. In response to my question, you,
10 Mr. Meghji, did not discuss with Mr. Kamlani or
11 Mr. Lampert the withholding of payments by
12 debtors between the signing of the APA and the
13 closing, correct?

14 A. I think I have answered that. I had
15 no discussions about payables with Mr. Kamlani
16 or Mr. Lampert. They were getting information
17 directly from the company.

18 Q. To your knowledge, did anyone --
19 withdrawn.

20 To your knowledge, did any of
21 debtors' representatives speak with Mr. Kamlani
22 about withholding payables between the signing
23 of the APA and the closing?

24 MR. GENENDER: Objection, misstates
25 the evidence and to the form. Assumes

1 MEGHJI

2 A. If there were any consequences?

3 Again, I don't follow the question about what
4 type of consequences you expect.

5 Q. However you understand it.

6 The question was, did you discuss
7 with Mr. Kamlani whether there would be any
8 consequences if debtors failed to make payments
9 on accounts payable?

10 A. I don't believe so. I don't recall
11 that. We may have, but I just don't recall
12 that.

13 Q. Earlier, you referred to e-mails
14 that were sent by the company relating to which
15 payments debtors would and would not make,
16 right?

17 A. Correct.

18 Q. Did those e-mails ask Transform --
19 did those e-mails ask Transform's
20 representatives to provide input regarding
21 debtors' payment or nonpayment on accounts
22 payable?

23 A. No, I don't think so, because they
24 were not -- they didn't own the company at that
25 point, but...

1 MEGHJI

2 Q. And if debtors -- withdrawn.

3 If Transform had told debtors --
4 withdrawn.

5 If Transform's representatives had
6 objected to debtors' nonpayment on accounts
7 payable, would debtors have reversed their
8 decision?

9 MR. GENENDER: Objection, form.

10 A. It's a hypothetical question. You
11 know, I don't know -- look, the bottom line is
12 they never objected. I don't know of a single
13 instance where I got a call from either
14 Mr. Lampert or Mr. Kamalani saying that they
15 objected.

16 Q. And if they had objected, would
17 debtors then have reversed course and made the
18 payments on the accounts payable?

19 MR. GENENDER: Objection, form.

20 A. If they had objected, we would
21 certainly have had a discussion about what to
22 do. I can't predict what their objection was
23 or would have been and how we would have dealt
24 with it, so -- but I think there was sort of a
25 fairly clear, normal, you know, sort of

1 MEGHJI

2 dialogue with Transform on all issues around
3 the company during that period.

4 So we would have addressed any
5 concerns they had. I can't predicatively tell
6 you what we would have done when I don't know
7 the issue.

8 Q. Transform has objected now.

9 Will debtors agree to make the
10 payments on the accounts payable?

11 MR. GENENDER: Objection, form.

12 A. No.

13 MS. MAINOO: Let's take a break.

14 (Recess taken.)

15 (Meghji Exhibit 13, E-Mail, dated
16 February 3, 2019, with attachment, marked
17 for identification.)

18 BY MS. MAINOO:

19 Q. Mr. Meghji, you have been handed
20 Exhibit 13. It includes a cover e-mail. The
21 top e-mail is from Brian Griffith to yourself
22 and Rob Riecker, Rajat Prakash, Rob Phelan,
23 cc'ing some other folks, dated February 3.

24 MR. GENENDER: You gave me the wrong
25 one. You gave me one with Joseph Frantz.

1 MEGHJI

2 A. So as you can see, this was targeted
3 to Rob Riecker and the treasury team. I was
4 obviously copied on it or it's addressed to me
5 as part of it.

6 Like I said, the levers were
7 ensuring that we were issuing disbursements.
8 This was February 3. Over the ensuing week, as
9 we were leading up to closing, which was
10 originally going to happen on the Friday, to
11 ensure that we were able to hit the targets.

12 Q. And does managing -- does carefully
13 manage disbursements in this context refer to
14 delaying payments on accounts payable so that
15 debtors could hit the closing conditions?

16 A. If required.

17 Q. And as it turned out, in the week of
18 February 4, debtors delayed payments on
19 accounts payable to hit the closing condition?

20 MR. GENENDER: Objection, form.

21 A. Yes.

22 Q. Mr. Meghji, I understand that, as
23 the debtors' chief restructuring officer, and
24 the term you used earlier as a fiduciary, it
25 was your objective to close the sale to

1 MEGHJI

2 incurred by the estate after filing for Chapter
3 11.

4 I want to understand how that --

5 MR. GENENDER: Objection, form.

6 A. Just like any other administrative
7 claim, they would need to be paid.

8 (Meghji Exhibit 14, Bank of America
9 Bank Statement, dated 2/28/19, marked for
10 identification.)

11 Q. Mr. Meghji, you have been handed
12 Exhibit 14. It's a bank statement from Bank of
13 America, dated February 28, 2019.

14 It shows, on the first page, a
15 payment posted on February 8 for \$11,078,141.

16 Do you see that?

17 A. Yes. The second payment in that
18 first sequence, yes.

19 Q. That's correct. Are you able -- do
20 you know the purpose of the payment on
21 February 8 for \$11,078,141?

22 A. No. I've never seen this before. I
23 don't recall that number.

24 (Meghji Exhibit 15, Sears Holdings
25 Corp., Weekly Estimated Professional Fees

1 MEGHJI

2 for Debtor and UCC Advisors, Week of
3 1/31/19, marked for identification.)

4 Q. Mr. Meghji, you have been handed
5 Exhibit 15. The heading says "Sears Holdings
6 Corp. Professional Fee Carve-Out Reporting,
7 Week of January 31, 2019."

8 Are you familiar with this chart?

9 A. I don't know if I've seen it before,
10 but I understand what it is.

11 Q. What is it?

12 A. Weekly estimated professional fees
13 for debtor and UCC advisors.

14 Q. And what does it show?

15 A. It shows a breakdown of the weekly
16 fees, presumably put in the carve-out account.

17 Q. And looking at the fourth column
18 from the right for 31st January, the total
19 amount is 11,078,141.

20 Do you see that?

21 A. Correct, yes.

22 Q. And just going back to Exhibit 14.
23 That's the same amount that's listed in the
24 Bank of America bank statement for February 8,
25 correct?

1 MEGHJI

2 A. Correct. A remarkable coincidence.

3 Q. How would you explain it?

4 A. I presume it's the same amount.

5 Q. Okay. So, in other words, the
6 payment posted on February 8, as reflected on
7 Exhibit 14, was to fund the professional fee
8 carve-out account?

9 MR. GENENDER: Objection, form.

10 A. I assume so.

11 Q. Is it the case that if the
12 \$11 million payment to the professional fee
13 carve-out account had not been made on
14 February 8, that the \$11 million could have
15 been used to pay other claims of the debtors?

16 MR. GENENDER: Objection, form.

17 A. Could have been, sure.

18 Q. Going back to Exhibit 15 -- and is
19 it the case that the \$11 million that was used
20 for the professional fee carve-out account --
21 withdrawn.

22 Let's look at Exhibit 15. Again, in
23 the column for 31st January, there is an amount
24 of \$4.6 million for -- and the row is Weil
25 Gotshal.

1 MEGHJI

2 pre-petition ABL financing.

3 Q. And when you say this is referring
4 to the cash availability under the pre-petition
5 ABL financing, what do you mean by that?

6 A. Just what I said.

7 Q. What does cash availability mean?

8 A. Under the asset-based lending
9 facility, there are metrics of what is
10 available to borrow for the company. And,
11 again, I don't recall the projections or where
12 we were, but the company filed for Chapter 11
13 because it had a liquidity crisis.

14 So it was running out of cash. And
15 that's why it needed to seek protection from
16 its creditors, and that's what it did.

17 Q. And so what the declaration is
18 referring to in the first sentence of paragraph
19 13 is that -- the cash that debtors could
20 access to meet their obligations?

21 A. My understanding of what this is, is
22 it refers not to physical cash or cash sitting
23 in an account, but availability of liquidity to
24 keep running the business.

25 Q. So the next sentence in that

Exhibit X

Sears Holdings Corp.
Professional Fee Carve Out Reporting
Week of: 1/31/19

Weekly Estimated Professional Fees for Debtor and UCC Advisors

Week Ending:	20-Oct	27-Oct	3-Nov	10-Nov	17-Nov	22-Nov	29-Nov	6-Dec	13-Dec	20-Dec	27-Dec	3-Jan	10-Jan	17-Jan	24-Jan	31-Jan	Total Accrued	Fees & Expenses Paid	Outstanding Professional Fee Accrual
Debtor Advisors																			
Weil, Gotshal & Manges	\$1,400,000	\$2,000,000	\$2,200,000	\$2,300,000	\$2,800,000	\$2,300,000	\$3,000,000	\$2,400,000	\$2,500,000	\$1,700,000	\$1,300,000	\$1,900,000	\$3,000,000	\$2,100,000	\$3,000,000	\$4,600,000	\$38,500,000	\$4,146,941	\$34,353,059
Lazard	1,650,000	100,000	100,000	100,000	100,000	1,725,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	4,275,000	1,644,335	2,630,665
M-III Partners	336,873	306,100	305,000	356,466	360,000	335,240	326,908	375,000	450,000	500,000	500,000	390,500	475,000	415,000	440,000	450,000	6,322,086	3,778,954	2,543,132
Wachtell - Standard Services	225,000	50,000	50,000	50,000	50,000	50,000	50,000	75,000	75,000	75,000	50,000	50,000	100,000	50,000	75,000	50,000	1,125,000	-	1,125,000
Wachtell - Document Production	-	200,000	200,000	200,000	200,000	150,000	200,000	-	-	-	-	-	-	-	-	-	1,150,000	-	1,150,000
Paul Weiss	609,765	573,472	654,902	750,581	867,271	695,450	1,235,214	1,521,382	1,500,118	1,366,307	301,755	499,015	1,098,289	1,039,360	1,013,821	1,470,062	15,196,765	3,346,296	11,850,469
Evercore	50,000	50,000	50,000	50,000	50,000	2,750,000	-	-	-	-	-	-	-	120,000	40,000	40,000	3,200,000	-	3,200,000
Alvarez & Marsal	75,580	142,970	246,125	290,244	258,350	185,000	427,400	470,400	475,000	196,815	76,300	154,000	198,000	225,000	220,000	220,000	3,861,184	1,809,209	2,051,975
Deloitte & Touche	-	-	-	-	-	-	1,183,952	318,713	417,230	455,822	44,975	327,626	526,869	502,338	293,466	449,201	4,520,192	-	4,520,192
Young Conaway	-	17,500	30,000	25,000	15,000	15,000	40,000	40,000	30,000	15,000	5,000	5,000	6,500	10,000	10,500	20,000	284,500	90,946	193,554
Prime Clerk	75,000	75,000	75,000	75,000	75,000	75,000	75,000	193,750	193,750	193,750	193,750	175,000	125,679	498,021	170,178	148,127	2,417,005	2,113,453	303,552
A&G Realty Partners	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-	-	100,000	-	-
JLL	-	-	21,956	21,956	21,956	21,956	21,956	21,956	21,956	21,956	21,956	13,750	13,750	1,234,500	13,750	13,750	1,487,106	193,636	1,293,470
Stout Risius Ross	-	-	-	-	-	-	-	-	-	-	-	-	-	13,500	-	2,000	15,500	-	15,500
Willis Tower Watson	-	31,250	31,250	31,250	31,250	-	-	-	-	-	-	-	-	-	-	-	125,000	-	125,000
Public Relations	5,000	-	-	-	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	140,000	-	140,000
Total Debtor	4,427,218	3,546,292	3,964,233	4,250,497	4,828,827	8,302,646	6,610,430	5,481,201	5,728,054	4,589,650	2,558,736	3,579,891	5,709,086	6,272,719	5,341,715	7,528,141	82,719,338	17,223,771	65,495,568
UCC Advisors																			
Akin Gump	-	400,000	1,300,000	820,000	1,350,000	550,000	1,350,000	1,200,000	1,100,000	1,000,000	800,000	1,000,000	1,400,000	1,300,000	1,650,000	3,000,000	18,220,000	-	18,220,000
Houlihan Lokey	-	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	1,875,000	-	1,875,000
FTI Consulting	-	91,000	550,000	530,000	535,000	350,000	635,000	635,000	412,300	550,000	150,000	285,000	490,000	675,000	615,000	425,000	6,928,300	-	6,928,300
Total UCC	-	616,000	1,975,000	1,475,000	2,010,000	1,025,000	2,110,000	1,960,000	1,637,300	1,675,000	1,075,000	1,410,000	2,015,000	2,100,000	2,390,000	3,550,000	27,023,300	-	27,023,300
Total	\$4,427,218	\$4,162,292	\$5,939,233	\$5,725,497	\$6,838,827	\$9,327,646	\$8,720,430	\$7,441,201	\$7,365,354	\$6,264,650	\$3,633,736	\$4,989,891	\$7,724,086	\$8,372,719	\$7,731,715	\$11,078,141	\$109,742,638	\$17,223,771	\$92,518,868